

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: February 7, 2018
www.isa.gov.il	www.tase.co.il		Ref: 2018-01-011076

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

Regulation 36(a) 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 with Union Bank Shareholders - Update

1. Engagement_in_an_agreement_Union_update_isa.pdf
2. Date and time at which the corporation first learned of the event:
☉ February 7, 2018 at 18:30.
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, Chief Legal Advisor and Mr. Nissan Levi, Head of the Planning, Operations and Customer Assets Division

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

2017-01-110619 2017-01-110631 2018-01-005313

Securities of a Corporation Listed for Trading on the Tel Aviv Stock Exchange Form structure revision date: January 1, 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: Aviv Menahem	Position: Chief Accountant	Name of Employing Company:
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Address: 7 Jabotinsky Street, Ramat Gan, 52520	Tel: 03-7559321	Fax: 03-7559148	E-mail: meno@umtb.co.il
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7 February 2018

To:
Israel Securities Authority
Via MAGNA

To:
Tel-Aviv Stock Exchange Ltd
Via MAGNA

Dear Sir or Madam,

**Re: Engagement in an Agreement with Shareholders at Union Bank of Israel Ltd -
Update**

Further to the immediate report published by Mizrahi Tefahot Bank Ltd (hereinafter: “**the Bank**”) on November 28, 2017 (reference no.: 2017-01-110619) (hereinafter: “**the Previous Immediate Report**”) 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 Controlling Shareholders**” and “**the Agreement**”, respectively) and a notice received prior to the date of engagement in the Agreement from another Union shareholder, who (through fiduciaries) holds Union shares which constitute approx. 27.12% of Union’s issued and outstanding capital, as detailed in the Previous Immediate Report, the Bank hereby updates with the following:

1. As detailed in the Previous Immediate Report, subject to the fulfillment of the suspensory conditions set forth in the Agreement, the Bank will publish a full exchange purchase offer (hereinafter: “**the Purchase Offer**”), so that the consideration to Union shareholders will be paid in Bank shares (hereinafter: “**the Consideration Shares**”)¹, with events having been established, the occurrence of which during the period commencing on the Agreement’s signature date and until the accomplishment of the Purchase Offer or the alternative transaction (as defined in the previous report) will prompt an adjustment to the quantity of the Consideration Shares.

It should be noted that in accordance with the provisions of the Agreement, if the accomplishment of the transaction subject of the Agreement would have occurred on the

¹ As specified in Section 1.3 of the Previous Immediate Report, in a quantity reflecting the ratio between a sum equal to 60% of Union’s total capital, according to Union’s financial reports for the period ending on June 30, 2017, after deducting the sum of the permitted distribution, per its definition in Section 1.11 of the Previous Immediate Report (if and insofar as it may be distributed); and the average of the adjusted closing price of the Bank’s shares in the 90 trade days prior to June 30, 2017.

date of the engagement through the Agreement, the quantity of the Consideration Shares that would have been allocated to Union's shareholders - without adjustments to the quantity of the Consideration Shares, per the Agreement's provisions – would have been 24,164,710 shares (i.e. for every 3.045 Union shares, one share of the Bank would have been allocated), which would have constituted approx. 9.41% of the Bank's issued and outstanding capital (after their allocation).

It should be emphasized that in view of the possibility that adjustments will be made to the quantity of the Consideration Shares, pursuant to the provisions of the Agreement, including due to a dividend distribution by the Bank and/or by Union, the quantity of the Consideration Shares, as will be allocated *de facto*, may be different than the quantity of the Consideration Shares presented above in this section (and accordingly, the dilution rate of the Bank's issued and outstanding capital that will derive from their allocation).

2. As detailed in Section 1.5 of the Previous Immediate Report, the Agreement includes a terminating condition, according to which, insofar as it may be decided by the Bank's Board of Directors, per its absolute and exclusive judgment, that a value appraisal which will be received by the Bank after the Agreement's signing does not support the consideration specified in the Agreement, including not basing the Consideration Shares' quantity as it arises from the calculation according to the formula specified in the appendix to the Agreement, the Bank's board of directors shall be entitled, per its absolute and exclusive judgment, to notify the Controlling Shareholders, prior to January 23, 2018 (with the date being extended until February 7, 2018, at the request of the Bank), that the Agreement is without any validity; and the Controlling Shareholders shall not have any allegation and/or claim in the matter (hereinafter: "**the Terminating Condition**"), as provided in the immediate report published by the Bank on January 16, 2018 (reference no.: 2018-01-005313), the date to provide the notice of the Terminating Condition's fulfillment had been extended until February 7, 2018.

On February 7, 2018, the Bank's Board of Directors resolved not to deliver a notice to the Controlling Shareholders regarding the fulfillment of the Terminating Condition.

This Board of Directors' resolution relied on value appraisals received by the Board of Directors, which were conducted by PwC Advisory Israel Ltd, which is an external value appraiser independent of the Bank, and the results of which supported the consideration specified in the Agreement, including constituting a basis for the quantity of the Consideration Shares.

As detailed in the Previous Immediate Report, the accomplishment of the transaction subject of the Agreement is subject, *inter alia*, to the fulfillment of various conditions, including such that are not under the Bank's control, among them the receipt of authorizations from third

parties and regulatory elements. Accordingly, there can be no certainty that the transaction subject of the Agreement will be accomplished.

Respectfully,

Mizrahi Tefahot Bank Ltd

By:

Racheli Friedman, Chief Legal Advisor

Nissan Levi, Head of the Planning, Operation and Customer Assets Division