

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>	T136 (Public)	Date of transmission: September 6, 2018
	www.isa.gov.il		www.tase.co.il		Ref: 2018-01-083194

Immediate Report of a Transaction with a Controlling Shareholder or a Director which does not require the Approval of a General Meeting

Regulation 37a(5) of the Securities Regulations (Periodic and Immediate Reports), 5766-2006

	Reference numbers of previous reports on the subject: _____
1.	A report is hereby filed on the approval of a transaction in accordance with Regulation <i>1B1</i> of the Companies Regulations (Relief for Transactions with Interested Parties), 5760-2000.
2.	Date of the transaction's approval by the Board of Directors: <i>September 6, 2018</i>
3.	The essence of the main points of the transaction and the main points of the Board of Directors' and Audit Committee's reasoning for the approval of the transaction: <i>See attached file</i> <i>Insurance_2018_isa.pdf</i>
4.	The main points of the opinion of the Companies Authority and the main points of the decision of the Ministerial Committee on Privatization or details regarding the alternative whereby the exemption is given Explanation: To be filled out in case of an extraordinary transaction by a government-controlled public company. _____
5.	Attached file _____
	<i>Note with respect to Section 1 of this form: This report is filed in accordance with Regulations 1B1, 1A1 and 1B(a)(5) of the Companies Regulations (Relief for Transactions with Interested Parties), 5760-2000.</i>
	<i>Note with respect to Section 3 of this form: The reasoning provided in Section 3 of the attached file is the reasoning given by the Board of Directors and the Remuneration Committee (and not the Audit Committee).</i>

The above report was signed by Ms. Maya Feller, Bank Secretary.

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

Address: 7 Jabotinsky Street
Ramat Gan, 52520, Israel
E-mail: mangment@umtb.co.il

Tel: 03-7559207 Fax: 03-7559913
03-7559720

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, Israel Tel: 03-7559720 Fax: 03-7559923 E-mail: mangment@umtb.co.il

Mizrahi Tefahot Bank Ltd

(the "Bank")

Re: Engagement in a Policy to Insure the Liability of Directors and Other Officers

On September 6th, 2018, after receiving the approval of the Remuneration Committee on September 4th, 2018, the Board of Directors approved the Bank's engagement in a policy to insure the liability of directors and other officers, for a period of eighteen (18) months which shall commence on October 1st, 2018, as detailed below in this report.

1. The background of the engagement

- 1.1 In the Bank's updated remuneration policy, as approved by the general meeting on February 14th, 2017 (hereinafter: the "**Remuneration Policy**"), instructions were established in the matter of the Bank's engagement in a policy to insure the liability of directors and other officers, as specified in section 5.5 of the Remuneration Policy, which was attached as Appendix A to the immediate report published by the Bank on January 9th, 2017 (Reference No. 2017-01-003454); this mention constitutes inclusion by way of reference to the information included regarding this matter in section 5.5 of the Remuneration Policy.
- 1.2 On September 30th, 2018, the insurance period of the current policy to insure the liability of directors and other officers, which commenced on April 1st, 2017 (hereinafter: the "**Current Insurance Policy**"), shall end. For details regarding the Current Insurance Policy, see the report published by the Bank on March 6th, 2017 (Reference No. 2017-01-019141).
- 1.3 Pursuant to this, according to Regulation 1B 1 of the Companies Regulations (Relief for Transactions with Interested Parties), 5760-2000 (hereinafter: the "**Relief Regulations**") and to Regulation 1A1 and 1B(a)(5) to the Relief Regulations, on September 6th, 2018, after receiving the approval of the Remuneration Committee on September 4th, 2018, the Board of Directors approved the Bank's engagement in a policy to insure the liability of directors and other officers, as detailed below in this report.

2. The essence of the main points of the transaction

- 2.1 a. Engagement in a policy (hereinafter: "**Insurance Policy**") for insuring the liability of the directors and the other officers, including the Chief Internal Auditor (hereinafter jointly: "**Officers**"), who serve periodically (including those that may be appointed in the future) or who have served at the Bank and/or companies in the Bank's group, including the Bank's subsidiaries, including Yahav Bank for Government Employees Ltd; under the Insurance Policy as aforesaid, the Chief Executive Officer of the Bank, who serves periodically (including anyone that may be appointed in the future) or who has served as the Bank's Chief Executive Officer, as well as controlling shareholders at the Bank and their relatives and Officers that the controlling shareholders at the Bank have a personal interest in the insurance of their liability, who serve periodically (including those that may be appointed in the future) or who have served as Officers; All as provided below:
 - (1) The insurer according to the Insurance Policy is Clal Insurance Company Ltd.

(hereinafter: the “**Insurer**”).

- (2) The insurance period is 18 months, commencing on October 1st, 2018, and ending on March 31st, 2020 (hereinafter: the “**Insurance Period**”).
- (3) The premium which will be paid for the Insurance Policy shall not exceed 857,000 American Dollars (hereinafter: “**USD**”).
- (4) The limits of the Insurer’s liability according to the Insurance Policy are USD 140 million per event and USD 280 million, in the aggregate, for the entire Insurance Period. In addition, the policy includes insurance coverage for reasonable legal expenses at up to 20% of the insurance amount.
- (5) In the event of a lawsuit against any of the Officers, no personal participation at any sum will apply to the officer, under the policy. In such a case, the Bank will bear the personal participation sum, at a sum of up to USD 50,000 per event.

(hereinafter: the “**Insurance Decision**”; the engagement with Clal Insurance Company Ltd., as aforesaid, will be referred to hereinafter as: the “**Engagement**”).

- b. Without derogating from the generality of the aforesaid, it should be noted that as of this report’s date, Ms. Liora Ofer, who is among the controlling shareholders at the Bank, serves as a director at the Bank. In addition, Mr. Yuli Ofer, OBM, Ms. Liora Ofer’s father, served as a director at the Bank until December 24th, 2008; and Mr. Idan Ofer, who is the brother of Mr. Eyal Ofer, one of the Bank’s controlling shareholders, has also served in the past as a director at the Bank. In addition, Mr. Moshe Wertheim, OBM, who was among the controlling shareholders at the Bank, served as a director at the Bank until September 15th, 2014.

Therefore, the Insurance Policy, which applies to the Officers who are periodically serving or who have served at the Bank, shall also apply to Messrs. Idan Ofer, Yuli Ofer OBM, Moshe Wertheim OBM, as well as Mme. Liora Ofer, due to their service as directors, as aforesaid. It is hereby clarified that the Insurance Policy shall also apply to controlling shareholders at the Bank or their relatives who will be appointed as Officers in the future (insofar as they may be appointed), even if their names are not specified above.

In addition, the Insurance Policy shall also apply to the Bank’s Chief Executive Officer.

- 2.2 The Bank will approach the Bank’s subsidiaries and propose that they participate in the Insurance Policy and bear their share of the premium, as determined in this matter by the Bank’s Remuneration Committee and Board of Directors. If any of the subsidiaries does not engage in the Insurance Policy, the Bank’s share in the premium amount will increase, up to the full sum of the premium.

3. The reasoning of the Remuneration Committee and the Board of Directors

In the reasoning of the Remuneration Committee and the Board of Directors for the approval of the Engagement the following, *inter alia*, was noted:

- 3.1 The Bank’s Engagement in the Officers’ liability Insurance Policy, as aforesaid, is in line

with the Remuneration Policy of Bank Officers and can contribute to the directors and Officers fulfilling their roles appropriately, to the Bank's benefit, while taking into account the risks involved therein.

- 3.2 The Insurance Policy shall apply with identical conditions to all directors and other officers, without prioritizing the Bank's Chief Executive Officer, the Bank's controlling shareholders or their relatives or whosoever that a controlling shareholder at the Bank has a personal interest in the insurance of his liability.
- 3.3 Engagement in a policy to insure Officers' liability is common at public companies, including Israeli banks.
- 3.4 The insurance sums of USD 140 million per event and USD 280 million, in the aggregate, for the entire Insurance Period, which are identical to the insurance sums determined in the Current Insurance Policy, were determined in view of the risk involved in the activity of the Officers at the Bank, while taking into consideration the Bank's areas of operation and those of its subsidiaries and their scope, as well as the Bank's status as a banking corporation and a public company.
- 3.5 The insurance sums of USD 140 million per event and USD 280 million, in the aggregate, for the entire Insurance Period, is deemed reasonable considering the current market data regarding this type of insurance, and compared to the insurance sums acquired by other Israeli banks.
- 3.6 The maximum premium sum, as aforesaid in Section 1.2a(3), is higher than the premium sum paid for the Current Insurance Policy; however, it was determined considering market data on the insurance of Officers' liability, with attention given *inter alia* to the Bank's needs, circumstances and operation scopes.
- 3.7 It was determined that applying the Insurance Policy with respect to the Bank's Chief Internal Auditor will not affect his professional discretion.
- 3.8 The Bank's Engagement in the Officers' liability Insurance Policy, under its conditions, is per market conditions and will not materially affect the Bank's profitability, property or commitments, does not include "distribution" according to its nature, essence and conditions, there is no reasonable concern that the aforesaid Engagement could prevent the Bank from fulfilling its existing and anticipated commitments, when the time comes to fulfill them, and is to the benefit of the Bank.
- 3.9 It was resolved to engage in the Insurance Policy, for a period of 18 months, as was done with respect to previous policies (as of April 2011), instead of a period of 12 months as was previously common at the Bank (until March 31st, 2011). In this way, the insurance sum quota shall be valid for 18 months rather than a mere 12 months, and no additional insurance quota shall be created after the first 12 months. However, with attention to the possibility of an increase in future premium sums, it is advisable to fix the insurance premium for a period longer than one year.