

MIZRAHI TEFAHOT BANK LTD
No. with the Registrar of Companies: 520000522

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|-----------|--|-----------|--|------------------|--|
| To | <u>Israel Securities Authority</u> | To | <u>Tel Aviv Stock Exchange Ltd</u> | T121 (Public) | Date of transmission: February 27, 2018 |
| | www.isa.gov.il | | www.tase.co.il | | Ref: 2018-01-019309 |

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: Regulatory Equity – Additional Information

The reference numbers of previous documents on the subject _____

Mizrahi Tefahot Bank Ltd respectfully reports information regarding the regulatory equity instruments issued by the bank.

This information is additional accompanying information to the financial reports of December 31, 2017, which are included in the periodic report (see also the report on the periodic report, reference no. 2018-01-019303).

Attached file *description_main_characteristics_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: *February 26, 2018 at 16:00.*

The information regarding the regulatory equity instruments issued by the bank was signed by:

- 1. Mr. Moshe Vidman, Chairman of the Board of Directors*
- 2. Mr. Eldad Fresher, Chief Executive Officer*
- 3. Mr. Doron Klausner, Deputy CEO, CRO*

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

Securities of a Corporation Listed for Trading Form structure revision date: February 20, 2018
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: Position: Name of Employing
Aviv Menahem Chief Company:
Accountant

Address: 7 Jabotinsky Street, Ramat Gan, 52520 Tel: 03-7559321 Fax: 03-7559148 E-mail: meno@umtb.co.il

**Description of key features of equity instruments included
in the Bank's regulatory capital as of December 31, 2017**

| | | Share capital | Mizrahi-Tefahot Bank – Subordinated capital notes (Series A) | Mizrahi-Tefahot Issuance company - Subordinated notes (Series 31) |
|----|--|--|---|---|
| | Overview | | | |
| 1 | Legal entity - issuer | Mizrahi Tefahot Bank Ltd. | Mizrahi Tefahot Bank Ltd. | Mizrahi Tefahot Issue Company Ltd. |
| 2 | Securities ID / Ticker symbol | 695437 | 6950083 | 2310076 |
| 3 | Legal frameworks applicable to the instrument | State of Israel | State of Israel | State of Israel |
| | Supervisory treatment | | | |
| 4 | Tier of which the instrument is part during the Basel III transitional period, which is gradually being eliminated | Not applicable | Tier II capital | Tier II capital |
| 5 | Tier of which the instrument is part during the Basel III transitional period, regardless of transitional provisions | Tier I capital | Does not qualify | Does not qualify |
| 6 | Does the instrument qualify as regulatory capital component on solo basis, for the banking group or both | Banking group | Banking group | Banking group |
| 7 | Instrument type | Ordinary share capital | Obligatory notes | Obligatory notes issued by a subsidiary of the banking corporation to third-party investors |
| 8 | Amount recognized in regulatory capital as of December 31, 2017 | 2,179,739,800 | 1,540,482,500 | 255,386,000 |
| 9 | Instrument par value | 23,263,136 | 1,701,984,302 | 480,000,000 |
| 10 | Accounting classification | Shareholder equity | Liability - carried at amortized cost | Liability - carried at amortized cost |
| 11 | Original issue date | Variable | 11/16/2006 | 9/19/2010 |
| 12 | Perpetual or dated | Perpetual | Dated | Dated |
| 13 | Original maturity | Not applicable | 1/1/2106 | 9/19/2019 |
| 14 | Early redemption possible upon issuer demand with prior approval by the Supervisor? | Not applicable | Yes | No |
| 15 | Earliest date for exercising the option of early redemption upon issuer demand | Not applicable | 1/1/2022 | Not applicable |
| 16 | Existence and frequency of later early redemption dates | Not applicable | At the end of five-year terms after January 1, 2022 - i.e. on January 1 of 2027, 2032, 2037 etc. | Not applicable |
| | Interest coupons / dividends | | | |
| 17 | Fixed or variable interest coupon / dividend | See Note 24.C (Share capital and equity) on the financial statements as of December 31, 2015 | Currently fixed interest, to become variable in future | Fixed interest |
| 18 | Coupon interest rate and linkage to specific index | Not applicable | 4.5%, linked to the Consumer Price Index | 3%, linked to the Consumer Price Index |
| 19 | Any dividend stopper to ordinary share holders? | Not applicable | Yes | No |
| 20 | Subject to full discretion, partial discretion or not subject to discretion | Not applicable | Partial discretion | No discretion |
| 21 | Interest step-up or other incentive for redemption? | Not applicable | Yes | No |
| 22 | Instrument accrues / does not accrue interest / dividends? | Not applicable | Accruing | Does not accrue |
| 23 | Instrument is or is not convertible? | Not applicable | Is convertible | Is not convertible |
| 24 | If convertible, what are the trigger points? | Not applicable | See note (1) | Not applicable |
| 25 | If convertible, is it fully / partially convertible? | Not applicable | Always fully convertible | Not applicable |
| 26 | If convertible, what is the conversion ratio? | Not applicable | See note (2) | Not applicable |
| 27 | If convertible, is conversion optional or mandatory? | Not applicable | Mandatory | Not applicable |
| 28 | If convertible, of what Tier is the resulting instrument after conversion? | Not applicable | Tier I capital | Not applicable |
| 29 | If convertible, indicate the issuer of the instrument converted into | Not applicable | Mizrahi Tefahot Bank Ltd. | Not applicable |
| 30 | Is there a mandatory write-down on the instrument? | Not applicable | No | No |
| 31 | If there is a mandatory write-down, what are the trigger points? | Not applicable | Not applicable | Not applicable |
| 32 | If there is a mandatory write-down, is it full or partial? | Not applicable | Not applicable | Not applicable |
| 33 | If there is a mandatory write-down, is it permanent or temporary? | Not applicable | Not applicable | Not applicable |
| 34 | If there is a temporary write-down, describe the write-down elimination mechanism | Not applicable | Not applicable | Not applicable |
| 35 | Creditor ranking upon dissolution - instrument type immediately preceding this instrument in creditor ranking | Subordinated capital notes (Series A), Bank Mizrahi-Tefahot | Subordinated notes, Tefahot Issuance (Series 30,31) and subordinated deposit notes, Bank Mizrahi-Tefahot | Deposits and debentures |
| 36 | Are there components which only comply with the definition of regulatory capital due to transitional provisions? | No | Yes | Yes |
| 37 | If Yes, indicate the components | - | Non-qualification as Tier 2 capital: Regulation 202, Appendix D, sections 4c and 9 and Appendix E | Non-qualification as Tier 2 capital: Regulation 202, Appendix D, section 9 and Appendix E |
| 38 | Link to prospectus | - | http://maya.tase.co.il/bursa/report.asp?report_cd=265410 | http://maya.tase.co.il/bursa/report.asp?report_cd=427836-00&CompCd=231&Type=Pdf |

**Description of key features of equity instruments included
in the Bank's regulatory capital as of December 31, 2017**

| | | Mizrahi-Tefahot Bank Subordinated deposit notes* | Bank Mizrahi Tefahot – Contingent Subordinated notes | Mizrahi-Tefahot Issuance company - Contingent Subordinated notes (Series 47) | Bank Yahav - Contingent Subordinated notes |
|----|--|---|--|--|--|
| | Overview | | | | |
| 1 | Legal entity - issuer | Mizrahi Tefahot Bank Ltd. | Mizrahi Tefahot Bank Ltd. | Mizrahi Tefahot Issue Company Ltd. | Bank Yahav for Government Employees Ltd. |
| 2 | Securities ID / Ticker symbol | Non-negotiable / multiple | Non-negotiable / multiple | 2310233 | Non-negotiable / multiple |
| 3 | Legal frameworks applicable to the instrument | State of Israel | State of Israel | State of Israel | State of Israel |
| | Supervisory treatment | | | | |
| 4 | Tier of which the instrument is part during the Basel III transitional period, which is gradually being eliminated | Tier II capital | Not applicable | Not applicable | Not applicable |
| 5 | Tier of which the instrument is part during the Basel III transitional period, regardless of transitional provisions | Does not qualify | Tier II capital | Tier II capital | Tier II capital |
| 6 | Does the instrument qualify as regulatory capital component on solo basis, for the banking group or both | Banking group | Banking group | Banking group | After 5 years from the issue date |
| 7 | Instrument type | Subordinated notes | Contingent subordinated notes | Contingent subordinated notes issued by a subsidiary of the banking corporation to third-party investors | Contingent subordinated notes |
| 8 | Amount recognized in regulatory capital as of December 31, 2017 | 437,151,500 | 580,077,000 | 678,950,000 | 329,011,000 |
| 9 | Instrument par value | 1,582,767,716 | 600,000,000 | 678,950,000 | 338,000,000 |
| 10 | Accounting classification | Liability - carried at amortized cost | Liability - carried at amortized cost | Liability - carried at amortized cost | Liability - carried at amortized cost |
| 11 | Original issue date | Multiple | Multiple | 18/12/2017 | Multiple |
| 12 | Perpetual or dated | Dated | Dated | Dated | Dated |
| 13 | Original maturity | Multiple | Multiple | 18/12/2027 | Multiple |
| 14 | Early redemption possible upon issuer demand with prior approval by the Supervisor? | No | No | Yes | No |
| 15 | Earliest date for exercising the option of early redemption upon issuer demand | Not applicable | Not applicable | 18/12/2022 | Not applicable |
| 16 | Existence and frequency of later early redemption dates | Not applicable | Not applicable | Not applicable | Not applicable |
| | Interest coupons / dividends | | | | |
| 17 | Fixed or variable interest coupon / dividend | Fixed interest | Multiple (fixed interest and variable interest) | Fixed interest | Fixed interest |
| 18 | Coupon interest rate and linkage to specific index | Multiple, CPI-linked | Multiple Linked to Consumer Price Index and non-linked to Consumer Price Index | 1.06% Linked to Consumer Price | Multiple Linked to Consumer Price Index |
| 19 | Any dividend stopper to ordinary share holders? | No | No | No | No |
| 20 | Subject to full discretion, partial discretion or not subject to discretion | No discretion | No discretion | No discretion | No discretion |
| 21 | Interest step-up or other incentive for redemption? | No | No | No | No |
| 22 | Instrument accrues / does not accrue interest / dividends? | Does not accrue | Does not accrue | Does not accrue | Does not accrue |
| 23 | Instrument is or is not convertible? | Is not convertible | Is not convertible | Is not convertible | Is not convertible |
| 24 | If convertible, what are the trigger points? | Not applicable | Not applicable | Not applicable | Not applicable |
| 25 | If convertible, is it fully / partially convertible? | Not applicable | Not applicable | Not applicable | Not applicable |
| 26 | If convertible, what is the conversion ratio? | Not applicable | Not applicable | Not applicable | Not applicable |
| 27 | If convertible, is conversion optional or mandatory? | Not applicable | Not applicable | Not applicable | Not applicable |
| 28 | If convertible, of what Tier is the resulting instrument after conversion? | Not applicable | Not applicable | Not applicable | Not applicable |
| 29 | If convertible, indicate the issuer of the instrument converted into | Not applicable | Not applicable | Not applicable | Not applicable |
| 30 | Is there a mandatory write-down on the instrument? | No | Yes | Yes | Yes |
| 31 | If there is a mandatory write-down, what are the trigger points? | Not applicable | Supervisor of Banks announces an event leading to dissolution and/or Tier I equity lower than 5% (Regulation 202, Addendum IV) | Supervisor of Banks announces an event leading to dissolution and/or Tier I equity lower than 5% (Regulation 202, Addendum IV) | Supervisor of Banks announces an event leading to dissolution and/or Tier I equity lower than 5% (Regulation 202, Addendum IV) |
| 32 | If there is a mandatory write-down, is it full or partial? | Not applicable | Full or partial | Full or partial | Full or partial |
| 33 | If there is a mandatory write-down, is it permanent or temporary? | Not applicable | Temporary | Temporary | Temporary |
| 34 | If there is a temporary write-down, describe the write-down elimination mechanism | Not applicable | At Bank discretion, after the Bank's Tier I equity ratio rises above the minimum ratio specified by the Supervisor of Banks | At Bank discretion, after the Bank's Tier I equity ratio rises above the minimum ratio specified by the Supervisor of Banks | Subject to Bank judgement and after the Bank's Tier I capital ratio increased above the minimum capital ratio stipulated by the Supervisor |
| 35 | Creditor ranking upon dissolution - instrument type immediately preceding this instrument in creditor ranking | Deposits and debentures | Not applicable, unless the instrument was not deleted upon dissolution according to its terms and conditions - Tefahot Issuance subordinated notes (Series 31) and Bank Mizrahi Tefahot subordinated deposit notes | Not applicable, unless the instrument was not deleted upon dissolution according to its terms and conditions - Tefahot Issuance subordinated notes (Series 31) and Bank Mizrahi Tefahot subordinated deposit notes | Not applicable, unless the instrument was not delisted in conformity with its terms and conditions upon dissolution. In such case, rights in conformity with the note are subordinated to all other creditors, except for creditor rights specified to rank lower upon repayment and except for creditor rights pursuant to similar notes. |
| 36 | Are there components which only comply with the definition of regulatory capital due to transitional provisions? | Yes | No | No | No |
| 37 | If Yes, indicate the components | Non-qualification as Tier 2 capital: Regulation 202, Appendix D, section 9 and Appendix E | Not applicable | Not applicable | Not applicable |
| 38 | Link to prospectus | - | - | http://maya.tase.co.il/reports/details/113666/2/2 | - |

**Description of key features of equity instruments included
in the Bank's regulatory capital as of December 31, 2017**

(1) The Bank would be required to convert the outstanding principal and interest balance of these capital notes into Bank ordinary shares upon certain occurrences as follows:

(a) The Bank's Tier I capital ratio to risk elements, as reported on the Bank's financial statements, has dropped below 6% and has not returned to the aforementioned value or higher within 90 days from the issue date of said financial statements;

(b) According to the Bank's financial statements, the Bank' retained earnings balance has turned negative;

(c) The Bank's Independent Auditor, in an opinion or review report attached to the Bank's financial statements or interim financial statements, has drawn attention to Notes to the financial statements with regard to significant doubt as to continued existence of the Bank as a going concern.

(2) The conversion rate for conversion of capital notes into Bank ordinary shares will be determined by the Trustee after 14 consecutive trading days, the first of which is the first trading day following the date on which the Bank's notice was delivered. The conversion rate will be determined based on the lowest conversion rate as follows, with the value of capital notes for conversion purposes calculated including principal, linkage differentials and accrued interest as of the the date on which the Bank's notice was delivered:

(a) Shareholder equity per Bank share, less a 20% discount. Shareholder equity per share will be calculated based on the Bank's most recent financial statements issued prior to calculation of the conversion rate;

(b) The average closing price per Bank ordinary share on the Tel Aviv Stock Exchange on 14 consecutive trading days, the first of which is the first trading day following the date on which the Bank's notice was delivered.

Notwithstanding the foregoing, the calculated conversion rate shall not exceed a closing price of NIS 37.00 per share nor be less than a closing price of NIS 18.00 per share, with both these prices linked to the Consumer Price Index issued for September 2006 and adjusted to reflect price changes with respect to bonus share distribution, share split or reverse split, capital reduction and the benef it component with respect to each rights issuance made during the term of the capital notes.

Moshe Vidman
Chairman of the Board of
Directors

Eldad Fresher
President & CEO

Doron Klauzner
Vice-president, Chief Risks
Officer (CRO)

Approval date:
Ramat Gan, February 26, 2018