

## MIZRAHI TEFAHOT BANK LTD

No. with the Registrar of Companies: 520000522  
Securities of the Corporation are Listed for Trading on the Tel Aviv Stock Exchange  
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To  
Israel Securities Authority  
[www.isa.gov.il](http://www.isa.gov.il)

To  
Tel Aviv Stock Exchange Ltd  
[www.tase.co.il](http://www.tase.co.il)

### Mizrahi Tefahot Bank Ltd.

**Re: An Immediate Report regarding the Convening of a Special Annual Meeting, in accordance with the Securities Regulations (Periodic and Immediate Reports) 5730-1970, and regarding a Transaction between a Company and its Controlling Shareholder, in accordance with the Securities Regulations (Transaction between a Company and its Controlling Shareholder) 5761-2001**

In accordance with the Securities Regulations (Periodic and Immediate Reports) 5730-1970, (the "**Periodic and Immediate Reports Regulations**"), and in accordance with the Securities Regulations (Transaction between a Company and its Controlling Shareholder) 5761-2001 (the "**Controlling Shareholder Regulations**"), Mizrahi Tefahot Bank Ltd. (the "**Bank**") hereby announces the convening of a special annual meeting, on November 9, 2011, at 10:00, at the Bank's offices, 7 Jabotinsky St., Ramat Gan, 13<sup>th</sup> floor.

1. **The Matters on the Agenda of the Special Annual Meeting and a Summary of the Proposed Resolutions:**

1.1 **Amendment of the Bank's Articles of Association**

It is proposed to amend the Bank's articles of association in accordance with the amended version which is attached hereto as **Annex A**, and to approve the proposed amendments and the amended articles of association. The proposed amendments to the current version of the articles of association are underlined in Annex A.

The said amendment is proposed, *inter alia*, following the enactment of the Increased Efficiency of the Israel Securities Authority Enforcement Procedure (Legislation Amendments), 5771-2011 (the "**Increased Efficiency Law**"), including the indirect amendment to the Companies Law, 5759-1999 (the "**Companies Law**"), as provided in Section 11(4) of the Increased Efficiency Law (the "**Resolution to Amend the Articles**").

1.2 **Amendment of the Bank's Letter of Exemption and Undertaking to Indemnify Directors, Officers and Employees**

It is proposed to approve the Bank's letter of exemption and undertaking to indemnify the directors and officers, including the Bank's controlling shareholders, and to indemnify the employees, according to the amended version which is attached hereto as **Annex B** (the "**Amended Indemnification Letter**"). The proposed amendments to the indemnification letter are underlined in Annex B (the "**Resolution to Approve the Amended Indemnification Letter**").

Below are details in accordance with the Controlling Shareholder Regulations regarding the Resolution to Approve the Amended Indemnification Letter.

2. **A Summary Description of the Transaction (Resolution to Approve the Amended Indemnification Letter) and the Main Terms thereof**

The Resolution to Approve the Amended Indemnification Letter proposes to amend the current indemnification letter, as provided below:

- 2.1 The Bank will undertake to indemnify, subject to the provisions of the law, according to the conditions of the Amended Indemnification Letter, also Bank employees who are not officers or controlling shareholders in the Bank, who serve, from time to time, at the Bank's request, as officers in a company controlled by the Bank, as well as persons who are not Bank employees, Bank officers or controlling shareholders in the Bank, who serve, from time to time, as officers in a company fully owned by the Bank, which is not a banking corporation.

It shall be emphasized that the Bank's controlling shareholders are not included within the indemnified parties added according to the said amendment to the indemnification letter

It shall be noted that on February 19, 2009, the board of directors resolved to grant undertaking to indemnify in advance Bank employees who do not serve as officers in the Bank, who serve, from time to time, as officers in subsidiaries controlled by the Bank, in an identical version to the undertaking granted to the officers and the directors in the Bank. This resolution is included in the current amendment to the indemnification letter, as provided in paragraph (c) of the definition of "**An Officer in Another Company**", in the Amended Indemnification Letter which is attached hereto.

In addition to the aforesaid, it shall be clarified that the term "**Bank Officer**", as defined in the Amended Indemnification Letter, includes the chief internal auditor as well.

2.2 In addition to the aforesaid, and subject to the approval of the Resolution to Amend the Articles, as provided in Section 1.1 above, it is proposed to amend the letter of indemnification as follows:

- a. To add an undertaking by the Bank to grant the officers, as defined in the Amended Indemnification Letter, including the Bank's controlling shareholders, as well as to the Bank's employees and employees of subsidiaries fully owned by the Bank, which are not banking corporations, indemnity due to monetary liability and litigation expenses in accordance with the provisions of the Increased Efficiency Law, as provided below:
  - (1) Monetary liability due to payment to an injured party as a result of a violation, as specified in Section 52(54)(a)(1)(a) of the Securities Law, 5728-1968, or due to payment to an injured party as a result of a violation pursuant to the said section, in accordance with the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 5755-1995, or the Joint Investment Trust Law, 5754-1994.
  - (2) Expenses incurred by an officer or an employee, in connection with an Administrative Procedure (as defined in Section 1.2.4.2 of the extended immediate report<sup>1, 2</sup>) which was conducted in this regard, including reasonable litigation expenses, including and attorney's fees.
- b. To add an undertaking by the Bank to indemnify the Bank's officers (as defined in the Amended Indemnification Letter) including the Bank's controlling shareholders, in respect of reasonable litigation expenses, including attorney's fees, incurred by the officer, in connection with a monetary sanction, due to an action taken in his capacity as an officer; in accordance with the provisions of Section 260(a)(1a) of the Companies Law, as amended in accordance with Section 4(11) of the Increased Efficiency Law.
- c. Instead of the maximum indemnification amount specified in the indemnification letter, as provided in Sections 1.2.3.1 and 1.2.3.2 hereof, it was determined in the Amended Indemnification Letter as follows:
  - (1) The maximum indemnification amount paid by the Bank, in aggregate, to all of the persons entitled to

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<sup>1</sup> This is a summary version of the immediate report. The extended version has not been translated to English.

<sup>2</sup> The term "Administrative Procedure" is also defined in Section 3.2.4(a)(2) of the voting paper in respect of this general meeting.

indemnification in accordance with the indemnification letter, shall not exceed 25% (twenty five percent) of the Bank's equity, according to its last financial statements which were published prior to the date of actual payment of the indemnification amount (the "**Maximum Indemnification Amount**").

- (2) Notwithstanding the aforesaid in sub-section (1) above, if the total indemnification amount will be higher than the Maximum Indemnification Amount, then, the maximum amount which shall be paid by the Bank, in aggregate, to all the indemnified parties, as provided in section (1) above, will not exceed the Total Indemnification Amount. However, the Difference shall only be used for indemnification due to actions taken prior to the date on which the Bank's general meeting approves the Resolution to Approve the Amended Indemnification Letter, as provided in Section 1.2 above.

In this regard:

The "**Total Indemnification Amount**" shall mean 25% (twenty five percent) of the Bank's equity according to its financial statements for 2000, adjusted, from time to time, according to the rate of increase of the consumer price index ("**CPI**"), v. the CPI for December 2000, which was published in January 2001.

The "**Difference**" shall mean the difference between the Total Indemnification Amount and the Maximum Indemnification Amount.

- (3) If and insofar as the total amounts which the Bank shall be required to pay to all of the indemnified parties according to the Amended indemnification Letter, in any of the matters contemplated in the indemnification letter, shall exceed the amount indicated in sub-section (1) or (2) above, as the case may be, the amount which shall be paid by the Bank shall be distributed among the indemnified parties, such that the indemnification amount which shall be actually received by each one of them shall be calculated according to the ratio between the amount owing to each one of the indemnified parties, as the case may be, and all of the amounts owing to all of the indemnified parties, with regard to the same matter.
- (4) In accordance therewith, all of the amounts which shall be paid by the Bank according to the Amended Indemnification Letter, will be included in the Maximum Indemnification Amount or the Total Indemnification

Amount, as the case may be, and not only payments due to liability, as provided in the indemnification letter prior to the amendment thereof.

**3. The Names of the Controlling Shareholders, within the Meaning of Section 268 of the Companies Law, who have Personal Interest in the Transaction and the Nature of the Personal Interest**

3.1 The names of the controlling shareholders who have personal interest in the Resolution to Approve the Amended Indemnification Letter, as provided in Section 1.2 above, are: Ms. Liora Ofer and Mr. Moshe Wertheim, since the Resolution to Approve the Amended Indemnification Letter will apply to them as well, in their capacity as directors in the Bank. In addition, the resolution will also apply to Mr. Yuli Ofer, OBM, Ms. Liora Ofer's father, who served as a director in the Bank until December 24, 2008. In addition, Mr. Doron Ofer may be considered as having personal interest in the Resolution to Approve the Amended Indemnification Letter due to the personal interest of his father, Mr. Yuli Ofer, OBM, and the personal interest of his sister, Ms. Liora Ofer, as provided above. Mr. Eyal Ofer may also be deemed as having personal interest in the Resolution to Approve the Amended Indemnification Letter, due to the agreements among the "individuals of the Ofer group", as provided in Section 1.2.5.3 of the extended immediate report.

3.2 In respect of the amendment of the indemnification letter, as provided in Section 2.1 above, it shall be noted that this amendment was intended to expand the group of indemnified parties. However, the said expansion does not relate to the Bank's controlling shareholders, as provided in the said section.

Conversely, the amendment of the indemnification letter, as provided in Section 2.2 above, applies to all of the officers, as defined in the indemnification letter, including the Bank's controlling shareholders, therefore, the Bank's controlling shareholders have personal interest in the Resolution to Approve the Amended Indemnification Letter.

3.3 The rights which grant the said controlling shareholders control in the Bank, including their holdings in the voting rights and in the Bank's issued and paid up capital and the voting agreements concerning such voting rights, to which the controlling shareholders are a party, are provided in notes 1 to 3 of the status report of holdings of interested parties and senior officers, which was released by the Bank on September 7, 2011 (ref. no. 2011-01-267852) (the "**Status Report**").

3.4 Additionally, the Bank's officers, whose names and holdings in the Bank's issued and paid-up share capital are specified in notes 4, 11 and 24 of the Status Report, may be deemed as having personal interest in adopting the Resolution to Approve the Amended Indemnification Letter, since as aforesaid, the indemnification letter applies to them as well. Therefore, the said officers shall be deemed as holding voting

rights in the Bank, together with the controlling shareholders, in respect of the Resolution to Approve the Amended Indemnification Letter, as provided in Section 268 of the Companies Law.

**4. Names of the Bank's Directors who have Personal Interest in the Resolution to Approve the Amended Indemnification Letter and the Nature of their Interest**

All of the Bank's directors are deemed as having personal interest in the Resolution to Approve the Amended Indemnification Letter by virtue of them being Bank officers.

**5. The Majority which is Required for Adoption of the Resolutions**

5.1 The majority which is required in the general meeting and in the adjourned general meeting for the adoption of the Resolution to Amend the Articles, as provided in Section 1.1 above, and for the adoption of the Resolution to Approve the Amended Indemnification Letter, as provided in Section 1.2 above, is an ordinary majority out of the total votes of the shareholders present in the general meeting, who are entitled to vote and voting thereat, without taking into account the abstaining votes, provided any of the following shall occur:

5.1.1 The majority votes in the meeting shall include the majority votes of the shareholders who do not have personal interest in the approval of the resolution who participate in the vote; the total votes of the said shareholders shall not include the abstaining votes.

5.1.2 The total votes of opposing shareholders out of the shareholders provided in Section 5.1.1 above shall not exceed two percent (2%) of the total voting rights in the Bank.

In this report, "**Personal Interest**" – personal interest of any person in an act or a transaction of a company, including personal interest of his relative and of a corporation, in which such person or a relative of such person are interested parties, and excluding personal interest which is the result of holding shares in the company, including personal interest of a person voting by virtue of a power of attorney given to him by another person, even if the other person has no personal interest, and the vote of a person who received a power of attorney to vote on behalf of a person having personal interest shall be deemed as a vote of the person having personal interest, whether or not the voting person shall have the discretion in the vote.

**6. The Place of Convening of the General Meeting and the Date thereof**

6.1 The general meeting shall convene on Wednesday, November 9, 2011, at 10:00, in the Bank's offices, on 7 Jabotinsky St., Ramat Gan, 13<sup>th</sup> floor (the "**Bank's Offices**"). If the meeting is adjourned, it will convene on Wednesday, November 16, 2011, at the same time and

place. The effective date for determining the shareholders' entitlement to participate and vote at the general meeting, as provided in Section 182 of the Companies Law, is October 11, 2011 (the "**Effective Date**").

- 6.2 A shareholder whose shares are listed with a TASE member through which he holds his shares, shall be entitled to receive a certificate of title at the TASE member branch or by mail to his address for delivery charges only, should he so request. A request in this regard shall be given in advance regarding a certain securities account.
- 6.3 A shareholder shall be entitled to vote at the general meeting, in person or by a proxy. In addition, a shareholder shall be entitled to vote at the general meeting at a vote for approval of the resolutions provided in Sections 1.1 and 1.2 above, by a voting paper.
- 6.4 The letter appointing a proxy (the "**Letter of Appointment**") and the power of attorney by virtue of which the Letter of Appointment was signed (if any), or a copy thereof certified to the Bank's satisfaction, shall be prepared and signed by the appointer or his attorney who shall be authorized therefor in writing, and if the appointer is a corporation, it shall be signed in a manner which shall bind the corporation. The Letter of Appointment shall be deposited at the Bank's offices by no later than 48 hours prior to the time scheduled for the beginning of the meeting.
- 6.5 The voting papers and position notices according to the meaning thereof in Section 88 of the Companies Law appear on the ISA website and TASE website, whose addresses are as follows: the ISA distribution website <http://www.magna.isa.gov.il/> (the "**Distribution Website**"), the TASE website : <http://maya.tase.co.il/>. Voting in writing shall be performed on the voting paper's second part, as published on the Distribution Website.
- 6.6 A non-registered shareholder shall be entitled to receive, by e-mail, free of charge, a link to the voting paper and position notice, in the Distribution Website, from the TASE member through which he holds his shares, unless he shall have informed the TASE member that he does not wish to receive such link (provided that the notice shall have been given in respect of a specific securities account, and prior to the Effective Date) or that he wishes to receive voting papers by mail for payment; a notice regarding voting papers shall also apply in respect of receiving position notices.
- 6.7 A shareholder whose shares are registered with a TASE member, shall be entitled to receive the certificate of title from the TASE member through which he holds his shares, at a branch of the TASE member or by mail to his address for delivery charges only, if he shall so request, and a request in this regard shall be given in advance in respect of a specific securities account.

- 6.8 The voting paper and the documents which are required to be attached thereto (the "**Attached Documents**"), as provided in the voting paper, should be delivered to the Bank's Offices by no later than 72 hours prior to the convening of the general meeting. In this regard, the "date of delivery" is the date of arrival of the voting paper and the Attached Documents at the Bank's Offices.
- 6.9 (a) The last date for furnishing position notices to the Bank shall be by no later than 10 days after the Effective Date.
- (b) The last date for furnishing the board of directors' response to the position notices shall be by no later than 5 days after the last date for furnishing position notices by the shareholders.

7. **Inspection of Documents**

This Immediate Report and the full version of the proposed resolutions may be reviewed at the Bank's Offices, Tel: 03-7559720, during standard business hours, until the time of the meeting.