

Mizrahi Tefahot Bank (the "Bank" or the "Company")

Date: August 15, 2012

Immediate Report on the Convening of an Annual General Meeting

Pursuant to the Securities Regulations (Immediate and Periodic Reports) 5730-1970 ("**Immediate and Periodic Reports Regulations**") and pursuant to the Securities Regulations (A Transaction Between a Company and a Controlling Shareholder), 5761-2001 ("**Controlling Shareholders Regulations**"), Mizrahi Tefahot Bank Ltd. (the "**Bank**") announces the convening of an annual general meeting on September 20, 2012, at 10:30, at the Bank's Offices, 7 Jabotinsky St., Ramat Gan, 13th floor.

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

1.1 **Discussion of the Bank's financial statements as of December 31, 2011, and the board of directors' report on the state of the Bank's business for 2011**

1.2 **Re-Appointment of Directors**

To re-appoint the following members of the board of directors as directors in the Bank¹: 1.2.1 Jacob Perry; 1.2.2 Moshe Wertheim; 1.2.3 Zvi Ephrat; 1.2.4 Ron Gazit; 1.2.5 Liora Ofer; 1.2.6 Mordechai Meir; 1.2.7 Moshe Vidman; 1.2.8 Jonathan Kaplan; 1.2.9 Joav-Asher Nachshon;

Re-appointments of the said directors are subject to no objection of the Supervisor of Banks to the said appointments or that he notifies of his consent thereto. The vote in respect of any nominee for a director's position, as provided above, will be conducted separately.

The nominees for re-appointment as directors, as provided above, gave declarations to the Bank, in accordance with Section 224B(a) of the Companies Law, 5759-1999 (the "**Companies Law**"), which are attached hereto, as **Annex A**.

1.3 **Re-appointment of the Bank's auditors and reporting their salary**

To re-appoint Brightman, Almagor, Zohar & Co. as the Bank's auditors. In addition, the auditors' remuneration for 2011 will be reported.

1.4 **Obtaining Directors' and Officers' Liability Insurance**

To obtain liability insurance in favor of directors and other officers in the Bank and companies in the Bank's conglomerate, which includes

¹ On August 15, 2012, the Bank received a notice from Mr. Abraham Beigah Shochat, whereby he removed his nomination for additional tenure as a director in the Bank.

the Bank's subsidiaries, including Bank Yahav for Government Employees Ltd. (the "**Insurance Resolution**"). Within such insurance policy, officers who are controlling shareholders in the Bank will also be insured.

The Bank's audit committee and board of directors approved the said engagement, pursuant to Regulation 1B(5) of the Companies Regulations (Relief in Transactions with Interested Parties), 5760-2000 (the "**Relief Regulations**"), specifying in this regard, that the engagement meets the conditions provided in Regulation 1B(5) of the Relief Regulations. Accordingly, the Bank released on August 15, 2012, a separate immediate report, regarding a transaction or an engagement with a controlling shareholder, which does not require the general meeting's approval, according to Regulation 37A(5) of the Securities Regulations (Immediate and Periodic Reports), 5730-1970 (ref. no. 2012-01-211716).

1.5 **Amendment of Articles 1, 142, 143, 144 and 145 of the Bank's articles of association regarding indemnification and insurance**

To amend the following articles in the Bank's articles of association, regarding indemnification and insurance: Article 1 (amendment of the definition article – adding the definition of the laws' names: the Restrictive Trade Practices Law, 5748-1988, the Supervision on Financial Services (Insurance) Law, 5741-1981 (the "**Supervision on Insurance Law**") and the Supervision on Financial Services (Provident Funds) Law, 5765-2005 (the "**Supervision on Provident Funds Law**")), Article 142, Article 143, Article 144 and Article 145; in accordance with the amended and marked version of the said articles, as provided in the amended and marked version of the Bank's articles of association, which is attached hereto as **Annex B**, and approve the said amendments as provided in this Section 1.5 above (the said amendments to the articles of association's current version are underlined in Annex B).

(the "**Resolution to Amend the Articles Regarding Indemnification and Insurance**").

The amendment provided in the Bank's articles of association is proposed, *inter alia*, following the legislation of the Increase of Enforcement in the Capital Markets (Legislation) Law, 5771-2011 (the "**Increase of Enforcement Law**") and the Restrictive Trade Practices Law (Amendment No. 13), 5772-2012, which amended the Restrictive Trade Practices, 5748-1988 (the "**Restrictive Trade Practices Law**").

1.6 **Amendment of the Bank's letter of exemption and undertaking to indemnify**

To approve (subject to the approval of the Resolution to Amend the Articles Regarding Indemnification and Insurance, as provided in Section 1.5 above) the Bank's exemption letter and undertaking to

indemnify the Bank's directors and officers (including the Bank's controlling shareholders) and to indemnify the employees, in the amended version which is attached hereto as **Annex C** (the "**Amended Letter of Indemnification**"); the proposed amendments to the current version are underlined in Section C.

(the "**Resolution to Approve the Amended Indemnification Letter**").

1.7 **Additional amendments to the Bank's articles of association**

In addition to amending the articles of association regarding indemnification and insurance, as provided in the articles specified in Section 1.5 above, it is proposed to make additional amendments to the Bank's articles of association, in the following articles: Article 1 (other than the amendments to this article, as provided in Section 1.5 above), Article 48, Article 88, Article 90, Article 91, Article 92A, Article 95, Article 98A to 99B.4., Article 108, Article 109, Article 116, Article 122 (the "**Additional Amendments**"); in accordance with the amended and marked version of the said articles, as provided in the Bank's articles of association, in its amended and marked version, which is attached hereto, as **Annex B**, and to approve the said amendments as provided in this Section 1.7 above (the Additional Amendments to the current version of the articles of association are underlined in Annex B).

(the "**Resolution Regarding the Additional Amendments to the Articles**").

The Additional Amendments to the Bank's articles of association derive, *inter alia*, from the provisions of the Banking Law (Legislation Amendments), 5772-2012, and the provisions of proper banking management regarding board of directors, which were issued by the Supervisor of Banks. In addition, amendments which derive from amendments made to the Companies Law are proposed.

2. **Below are details pursuant to the Controlling Shareholders regulations regarding the Resolution to Approve the Amended Indemnification Letter**

2.1. **A summary description of the transaction (the Resolution to Approve the Amended Indemnification Letter and the principal provisions thereof**

Subject to the approval of the Resolution to Amend the Articles Regarding Indemnification and Insurance, as provided in Section 1.5 above, it is proposed to amend the Bank's letter of exemption and undertaking to indemnify, as follows:

- a. To add an undertaking by the Bank, to give the officers (including controlling shareholders in the Bank) and the

employees, as defined in the indemnification letter, indemnification for monetary liability and litigation expenses, pursuant to the provisions of the Increase of Enforcement Law and Restrictive Trade Practices laws, as the case may be.

- b. To add an undertaking by the Bank, to give the officers (including the Bank's controlling shareholders) and the employees, as defined in the letter of indemnification, indemnification due to monetary liability due to payment to a party injured by a breach or a similar kind of payment, according to another law, including reasonable litigation expenses, including attorney's fees, in connection with an administrative proceeding according to another law, provided that such indemnification is not prohibited by law.
- c. Further to the amendments specified above, it is proposed to add to the list of events which were specified in the supplement to the letter of indemnification, *inter alia*: an action in connection with borrowers' life insurance or insurance of residential apartments; repurchase of securities by the Bank or any other action in connection with securities; and an action, report or an announcement pursuant to the Banking (Licensing) Law, 5741-1981 and the Restrictive Trade Practices Law, 5728-1968. In addition, the term "security" was defined according to the meaning thereof in Section 52 of the Securities Law, 5728-1968.

2.2. Names of shareholders, according to the meaning of this term in Section 268 of the Companies Law, who have a personal interest in the transaction and the nature of the personal interest

- a. Names of shareholders, according to the definition of this term in Section 268 of the Companies Law, who have a personal interest in the Resolution to Amend the Indemnification Letter are: Ms. Liora Ofer and Mr. Moshe Wertheim, since the Resolution to Approve the Amended Indemnification Letter will also apply in respect of them as well by virtue of their capacity as directors in the Bank. In addition, the resolution will 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 a personal interest in the Resolution to Approve the Amended indemnification Letter, due to interest of his father, Mr. Yuli Ofer, OBM, and the interest of his sister, Ms. Liora Ofer, as provided above. Mr. Eyal Ofer may also be considered as having a 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 2.2(b) below. In addition, Mr. Idan Ofer, Mr. Eyal Ofer's brother, may be considered as having a personal interest in the Resolution to Approve the Amended Indemnification Letter, due to his service in the past as a director in the Bank, and due to the personal interest of his brother, Mr.

Eyal Ofer, in the Resolution to Approve the Amended Indemnification Letter.

- b. Details regarding the rights which grant the said controlling shareholders control in the Bank, including a description of their holdings in the Bank's voting rights and issued and paid up capital and the voting agreements which concern such voting rights, to which the controlling shareholders are parties, are described in Notes 1 to 3 of the immediate report on the Status of Holdings of Interested Parties and Senior Officers, which was released by the Bank, on August 7, 2012 (ref. no. 2012-01-204726) (the "**Status Report**"). The said reference constitutes incorporation by way of reference of all of the information which is specified in the said notes, in the Status Report.
- c. In addition, the Bank's senior officers, whose names and holdings in the Bank's issued and paid up capital, are specified in notes 4, 11 and 22 of the Status Report, may be considered as having personal interest in the Resolution to Approve the Amended Indemnification Letter, since as aforesaid, the letter of indemnification applies to them as well. Therefore, the said senior officers will be considered as holding the Bank's voting rights, 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. This reference constitutes an incorporation by way of reference of all of the information provided in the said notes, in the Status Report.

2.3. Names of the directors who have a personal interest in the Resolution to Approve the Amended Indemnification Letter and the nature of the interest

All of the directors in the Bank are deemed as having a personal interest in the Resolution to Approve the Amended Indemnification Letter, by virtue of their capacity as officers in the Bank.

3. The Majority which is Required for the Approval of the Resolutions

- 3.1. The majority which is required in the annual meeting and the adjourned annual meeting to approve the re-appointment of each one of the directors, as provided in Section 1.2 above, to approve the Bank's auditors, as provided in Section 1.3 above, to approve the Insurance Resolution, as provided in Section 1.4 above, and to approve the Resolution Regarding Additional Amendments to the Articles, as provided in Section 1.7 above, is an ordinary majority of the total votes of the shareholders who are present at the annual general meeting, who are entitled to vote and who voted thereat, without taking into account the abstaining votes.
- 3.2. The majority which is required in the annual meeting and the adjourned annual meeting, to approve the Resolution to Amend the

Articles Regarding Indemnification and Insurance, as provided in Section 1.5 above, and to the Resolution to Approve the Amended Indemnification Letter, as provided in Section 1.6 above, is an ordinary majority of the total votes of the shareholders who are present at the general meeting, who are entitled to vote and who voted thereat, without taking into account the abstaining votes, provided that one of the following is met:

- a. The count of votes in the meeting will include the majority of the total votes of the shareholders who do not have a personal interest in the approval of the resolution, who are participating in the vote; the count of votes of the said shareholders will not include the abstaining votes.
- b. The total dissenting votes out of the votes of the shareholders provided in sub-section (a) will not exceed two percent (2%) out of the total voting rights in the Bank.

In this report – "**a personal interest**" – a personal interest of a person in an action or a transaction of a company, including a personal interest of his relative and another corporation, in which he or his relative are interested parties, and other than a personal interest which results from the mere holding of shares in the company, including a personal interest of a person voting pursuant to a proxy given to him by another person, even if the other person has no personal interest, and a vote of a person who received a proxy to vote on behalf of an interested person will be deemed as a vote of the interested person, all, whether or not the person voting has the discretion in the vote.

4. Place and Time of the General Meeting

- 4.1. The general meeting will convene on Thursday, September 20, 2012, at 10:30, at the Bank's offices, 7 Jabotinsky St., Ramat Gan, 13th floor (the "**Bank's Offices**"). If the meeting is postponed it will be held on Thursday, September 27, 2012, at the same time and place. The effective date for determining the shareholders' entitlement to attend and vote at the general meeting, as provided in Section 182 of the Companies Law, is August 22, 2012 (the "**Effective Date**").
- 4.2. A shareholder whose shares are registered with a TASE member will be entitled to receive the certificate of title from the TASE member through which he holds his shares, at the TASE member's branch or by mail to his address for delivery charge only, if he so requested. A request in this regard shall be given in advance in respect of a specific securities account.
- 4.3. A shareholder shall be entitled to vote at the general meeting, in person or by proxy. In addition, a shareholder shall be entitled to vote at the general meeting, at a vote for approval of the resolutions, as provided

in Sections 1.2.1 through 1.2.9, 1.4, 1.5 and 1.6 above, through a voting paper.

4.4. The letter appointing a proxy to vote (a "**Letter of Appointment**") and the proxy according to which the Letter of Appointment is executed (if any), or a copy thereof, 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, will be signed in such manner which shall bind the corporation. The Letter of Appointment shall be deposited in the Bank's Offices by no later than 48 hours prior to the time set for the beginning of the meeting.

4.5. a. Please note the provisions of Section 34A(1) of the Banking Law (Licensing), 5741-1981, according to which:

"No person may come to an agreement with another regarding their manner of voting on the appointment of a director in a banking corporation or a banking holding corporation, including with regard to the manner of their voting with regard to the termination of his service, other than in accordance with a permit given by the Supervisor of Banks after consultation with the licensing committee; this provision will not apply to...and to a holder of a means of control who has come to an agreement with another, whereby the other person would vote in his name and on his behalf with no discretion, as instructed by the holder of the means of control, provided that if the other person holds a means of control in the banking corporation or the banking holding corporation, as the case may be, he will not vote in the name and on behalf of more than one other holder".

b. From the aforesaid provisions, it arises, *inter alia*, that in respect of the appointment of the external director, as provided in Section 1.2 above, a proxy to vote who is also a shareholder in the Bank, shall be entitled to vote in the name and on behalf of only one additional shareholder, as provided in the said provisions.

c. In respect of the additional issues on the general meeting's agenda (as provided in Section 1.3 through 1.7 above), there is no impediment that a proxy to vote will represent more than one shareholder.

4.6. The address of the Israel Securities Authority's distribution site and the Internet site of the Tel Aviv Stock Exchange Ltd, on which the voting papers and position notices, according to the meaning thereof in Section 88 of the Companies law, are posted: distribution site of the Israel Securities Authority: <http://www.magna.isa.gov.il/> (the "**Distribution Site**"); Internet site of the Tel Aviv Stock Exchange Ltd: <http://maya.tase.co.il/>. Voting in writing shall be performed on the second part of the voting paper, as published on the Distribution Site.

- 4.7. An unregistered shareholder shall be entitled to receive by e-mail, free of charge, a link to the voting paper and position notices on the Distribution Site from the TASE member through which he holds his shares, unless he has notified the TASE member that he does not wish to receive such link provided that the notice is given in respect of a specific securities account and on a date which is prior the Effective Date) or that he wishes to receive voting papers by mail for payment; a notice regarding voting papers shall also apply with regard to receipt of position notices.
- 4.8. A shareholder whose shares are registered with a TASE member, shall entitled to received the certificate of title from the TASE member through which he holds his shares, at the TASE member's branch or by mail to his address for delivery charge only, if he so requested. A request in this regard shall be given in advance in respect of a specific securities account.
- 4.9. The voting paper and the documents which should be attached thereto, as provided in the voting paper, should be furnished to the Bank's Offices by 72 hours prior to the date of the convening of the general meeting. In this regard, the "date of furnishing" is the date on which the voting paper and the attached documents arrive at the Bank's Offices.
- 4.10. a. The deadline for delivery of position notices to the Bank: up to 10 days after the Effective Date.
- b. The deadline for delivery of the board of directors' response to the position notices: no later than five days after the deadline for delivery of position notices by the shareholders.

5. Inspection of documents

This immediate report and the full text of the proposed resolutions may be inspected at the Bank's Offices, Tel: 03-7559720, during ordinary business hours, until the time scheduled for the meeting.