

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
Abbreviated Name: Mizrahi Tefahot
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To
Israel Securities Authority
www.isa.gov.il

To
Tel Aviv Stock Exchange Ltd
www.tase.co.il

Bank Mizrahi Tefahot Ltd.

Re: An Immediate Report regarding the Convening of a General 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**"), Bank Mizrahi Tefahot Ltd. (the "**Bank**") hereby informs of the convening of a general annual meeting, on July 31, 2011, at 10:00, at the Bank's offices, 7 Jabotinsky St., Ramat Gan, 13th floor.

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

- 1.1 **Review of the Bank's Financial Statements as of December 31, 2010, and the Board of Directors' Report on the State of the Bank's Affairs for 2010**
- 1.2 **Appointment of Directors**

It is proposed to re-appoint the following members of the board of directors, as directors in the Bank: 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 Avraham (Beigah) Shohat; 1.2.7 Dov Mishor; 1.2.8 Mordechai Meir; 1.2.9 Joseph Shahak; 1.2.10 Moshe Vidman; 1.2.11 Jonathan Kaplan; the vote in respect of each nominee for a director's office, as provided above, shall be conducted separately.

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

1.3 **Appointment of the Bank's Auditors**

It is proposed to reappoint Brightman, Almagor, Zohar & Co., as the Bank's auditors. In addition, a report regarding the auditors' remuneration for 2010 shall be submitted as well.

1.4 **Approval of Bonus Payment to the Chairman of the Board of Directors**

It is proposed to approve bonus payment to the Bank's chairman of the board of directors, for 2010, in the sum of ILS 1,000,000.

1.5 **Amendment of the Banks' Articles of Association**

It is proposed to amend the Bank's articles of association in accordance with the amended version attached hereto as **Annex B**, and to approve the proposed amendments and the amended version of the articles of association. The proposed amendments to the articles of association are underlined in Annex B (the "**Resolution to Amend the Articles**").

1.6 **Amendment of the Bank's Letter of Exemption and Undertaking to Indemnify Directors and Office Holders**

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

- 2.1 It is proposed that the Bank undertake to indemnify, subject to the provisions of the law and subject to the approval of the Resolution to Amend the Articles, according to the conditions of the Amended Indemnification Letter, 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 amendment of the indemnification letter, as provided in Section 2.1 above, does not result in an increase of the maximum indemnity amount which shall be paid by the Bank due to a liability.

It is further emphasized that the Bank's controlling shareholders are not included within the indemnified parties which were added according to the said amendment of the indemnification letter. Additionally, within the amendment pursuant to Section 2.1 above, there was no change in the indemnification terms which apply to the Bank's controlling shareholders. However, the said maximum indemnity amount which the Bank shall pay due to a liability to all of the indemnified parties (which was neither changed nor increased, as aforesaid), shall also include the amounts paid to the indemnified parties, which were added within the said amendment of the indemnification letter (if paid).

- 2.2 It shall be noted that on February 19, 2009, the board of directors resolved to grant undertaking to indemnify in advance the Bank's employees, who do not serve as officers in the Bank, who serve, from time to time, as officers in subsidiaries controlled by the Bank, which shall be identical to the undertaking which was granted to the Bank's officers and directors. This resolution was included within the current amendment of the letter of indemnification, as provided in paragraph c of the definition of "an officer in another company", in the Amended Indemnification Letter" which is attached to the resolution.
- 2.3 In addition to the aforesaid, and subject to the approval of the Resolution to Amend the Articles, as provided in Section 1.5 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 Streamlining of Enforcement in the Securities Authority (Legislation Amendments), 5771-2011 (the "**Streamlining of Enforcement 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 Consultancy, Investment Marketing and 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 1.6.4.2 of the extended immediate report¹) which was conducted in this regard, including reasonable litigation expenses and attorney's fees.

b. To add an undertaking by the Bank to indemnify 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 Streamlining of Enforcement Law.

3. The Name 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 1.6 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, and Mr. Yuli Ofer, 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, 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 between the "individuals of the Ofer group", as provided in Section 1.6.5.3 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. Moreover, not only does the amendment not increase the maximum indemnity amount which the Bank shall pay due to liability to all of the indemnified parties, it adds additional persons to the group of indemnified parties.

Conversely, the amendment of the indemnification letter, as provided in Section 2.3 above, applies to all of the officers, as defined in the indemnification letter, including the Bank's controlling shareholders,

¹ This is a summary version of the immediate report. The extended version has not been translated into English.

therefore, the Bank's controlling shareholders have personal interest in the resolution to approve the Amended Indemnification Letter.

- 3.3 Additionally, the Bank's officers, whose names and holdings in the Bank's issued and paid-up share capital are specified in notes 4, 10 and 23 of the immediate report on the holdings of interested parties and senior officers, released by the Bank on June 6, 2011 (ref. no. 2011-01-178107), 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 having 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 Directors in the Bank who have Personal Interest in the Resolution to Approve the Amended Indemnification Letter and the Nature of their Interest

All of the directors in the Bank are deemed as having personal interest in the Resolution to Approve the Amended Indemnification Letter as provided in Section 1.6, in their capacity as the Bank's officers.

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

- 5.1 The majority which is required in a general meeting and in an adjourned general meeting for the adoption of the resolutions provided in Sections 1.2, 1.3 and 1.4 above, is an ordinary majority of the shareholders' votes present in a general meeting, who are entitled to vote and voting thereat, without taking into account the abstaining votes.
- 5.2 The majority which is required in a general meeting and in an adjourned general meeting for amending the Bank's articles of association and for adopting the Resolution to Approve the Amended Indemnification Letter, as provided in Sections 1.5 and 1.6 above, is an ordinary majority of the 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:
- 5.2.1 The calculation of 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.
- 5.2.2 The total number of opposing shareholder votes provided in Section 5.2.1 above shall not exceed two percent (2%) of the total voting rights in the Bank.

6. The place of convening of the general meeting and the date thereof

- 6.1 The general meeting shall convene on Sunday, July 31, 2011, at 10:00, in the Bank's offices, on 7 Jabotinsky St., Ramat Gan, 13th floor (the "**Bank's Offices**"). If the meeting is adjourned, it will convene on Sunday, August 7, 2011, at the same time and place. The effective date for determining the shareholders' entitlement to participate and vote in the general meeting, as provided in Section 182 of the Companies Law, is June 30, 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 to a certain securities account.
- 6.3 A shareholder shall be entitled to vote at a general meeting, in person or by a proxy. In addition, a shareholder shall be entitled to vote at a general meeting at a vote for approval of the resolutions provided in Sections 1.2, 1.4 and 1.6 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 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 paper shall also apply in respect of receiving a position notice.
- 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 delivering position notices to the Bank shall be by no later than 10 days after the Effective Date.
- (b) The last date for delivering the board of directors' response to the position notices shall be by no later than 5 days after the last date for delivery of position notices by the shareholders.

7. **Inspection of Documents**

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