

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

Date: May 29, 2012

**Immediate Report on the Convening of a Special General Meeting
Regulation 36B(a) and 36C of the Securities Regulations (Periodic and
Immediate Reports), 5730-1970**

Am immediate report is hereby given on the convening of a special meeting of the Bank's shareholders, to be held on Thursday, July 5, 2012, at 10:00, at the Bank's offices, 7 Zabotinsky St., 13th floor, Ramat Gan.

1. **On the agenda**

1.1 **The appointment of an external director**

1.1.1 **Nature of the issue:** The appointment of an external director in the Bank.

1.1.2 **The main facts which are required for understanding the issue:**

- (a) On June 25, 2009, the general meeting of the Bank's shareholders approved the appointment of Mr. Gideon Siterman as an external director in the Bank, according to the Companies Law, 5759-1999 (the "**Companies Law**"). Mr. Siterman began his service as an external director in the Bank, on July 7, 2009, and was evaluated by the board of directors as a director with financial and accounting expertise, as defined in the Companies Regulations (Terms and Tests for Director with Accounting and Financial Expertise and a Director with Professional Eligibility), 5766-2005 ("**Accounting and Financial Expertise**").

On April 30, 2012, the Bank's board of directors re-evaluated (for the sake of good order) that Mr. Siterman had accounting and financial expertise.

- (b) It is proposed to appoint Mr. Gideon Siterman (the "**Nominne**") as an external director in the Bank, for an additional period of three (3) years, to begin on July 7, 2012, subject to the approval of the appointment by the Supervisor of Banks.

The nomination of Mr. Siterman for an additional period of three (3) years is proposed by shareholders who hold over 1% of the total voting rights in the company.

- (c) The Bank hereby refers to the details which are required pursuant to Regulation 26 of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the "**Periodic and Immediate Reports Regulations**"), in respect of the Nominee, as included in the periodic report for 2011, released by the Bank on March 26, 2012 (ref. no. 2012-01-079074) (the "**Periodic Report**") subject to the updates which are specified below; the reference constitutes an incorporation by way of reference of the information provided in this regard in the said Periodic Report.

In addition to the provisions of the Periodic Report, as of April 30, 2012, Mr. Siterman serves as a director in the Ashdod port Co. Ltd..

- (d) The Nominee was the Bank's customer, held an account in the Bank, received banking services, and was granted a loan by the Bank (the "**Bank Ties**"), prior to the convening of the special general meeting for his initial appointment as a director and prior to the convening of the general meeting for his appointment for an additional period, as an external director in the Bank, as aforesaid. Accordingly, on April 23, 2009 and on May 18, 2009, the Bank's audit committee approved, in accordance with the Companies Regulations (Matters which do not Constitute Affinity), 5766-2006 ("**Matters which do not Constitute Affinity**") and in view of the facts presented to it, at the same time, in respect of the Nominee's being the Bank's customer and in respect of his bank account and the loan extended to him by the Bank, that the ties which the Nominee had with the Bank, were insignificant, both in terms of the Nominee and the Bank.

Further thereto, on April 23, 2012, the Bank's audit committee approved, in accordance with the Regulations on Matters which do not Constitute Affinity, that in view of the facts presented to it, the ties which the Nominee has with the Bank are insignificant, both in terms of the Nominee and the Bank.

- (e) The Nominee gave the Bank a declaration, pursuant to Sections 224B and 241 of the Companies Law, 5759-1999 (the "**Companies Law**"), which is attached hereto.

- (f) The remuneration which will be paid to Mr. Gideon Siterman as an external director, with accounting and financial expertise, will be in accordance with the resolution on the directors remuneration, as provided in the immediate report released by the Bank on June 23, 2011 (ref. no. 2011-01-191934) (the "**Immediate Report on Directors Remuneration**"). This reference constitutes an incorporation by way of reference of the information provided in this regard, in the said immediate report.

Accordingly, and as provided in the Immediate Report on Directors Remuneration, Mr. Gideon Siterman will be entitled to annual remuneration and remuneration for participation in meetings, in the sum of the "Maximum Amount" for an expert director, as provided in the Companies Regulations (Rules regarding Remuneration and Expenses for an External Director), 5760-2000 (the "**Remuneration Regulations**"), namely, in the sum of the "Maximum Amount" which is specified in the fourth schedule of the Remuneration Regulations, as shall be from time to time, and in accordance with the Bank's ranking for each financial year, as provided in the Remuneration Regulations.

1.1.3 The proposed resolution or a summary description of its principals:

To appoint Mr. Gideon Siterman as an external director in the Bank, for an additional period of three (3) years, to begin on July 7, 2012, subject to the approval of the appointment by the Supervisor of banks.

1.1.4 The majority which is required for the approval of the resolution, as provided in Section 1.1.3 above:

An ordinary majority of all of the shareholders which are participating in the meeting, which are entitled to vote and which voted thereat, without taking into account the abstaining votes, provided that all of the following are met:

- (1) The count of votes of the shareholders in the meeting will not include the votes of the shareholders who are the controlling shareholders in the company or who have a personal interest in the approval of the appointment, other than a personal interest which is not as a result of a connection with the controlling shareholder, as well as the abstaining votes;

- (2) The total affirmative votes among the shareholders who are not the controlling shareholders in the Bank or who have a personal interest in the approval of the appointment, other than a personal interest which does not result from ties with the controlling shareholder, is higher than two percent (2%) of the total voting rights in the company.

In this report – "**a personal interest**" – a personal interest of a person in an action or a transaction of a company, including the 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.

1.2 **The approval of the payment of a bonus to the Bank's chairman of the board of directors for 2011 in the sum of ILS 1,100,000**

1.2.1 **A description of the nature of the issue and the main facts which are required for the understanding thereof:**

(a) Summary of the resolution

On March 25, 2012, the board of directors resolved, after receiving the approval of the audit committee and the recommendation of the salary and remuneration committee, to approve the payment of bonus to Mr. Jacob Perry, the Bank's chairman of the board of directors, in the sum of ILS 1,100,000 (the "**Resolution to Approve the Bonus**"), in view of the chairman of the board of directors' contribution to the Bank's achievements in 2011, and considering the improvement in the Bank's business results in 2011 compared with its business results in 2010.

(b) The terms of employment of the chairman of the board of directors, data regarding the cost of employment of the chairman of the board of directors, the manner of determining the bonus and the rationale provided by the salary and remuneration committee, the audit committee and the board of directors for the approval of the resolution.

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determining the bonus and the rationale provided by the salary and remuneration committee, the audit committee and the board of directors for the approval of the resolution, are as provided in Sections 2 to 5 in the immediate report, released by the bank on March 25, 2012 (ref. no. 2012-01-078228). This reference constitutes an incorporation by reference of any and all information, in the matters provided above, in the said sections of the aforesaid immediate report.

1.2.2 The proposed resolution or a summary description of its principals

To approve payment of a bonus to the chairman of the Bank's board of directors for 2011 in the sum of ILS 1,100,000.

1.2.3 The majority which is required for the approval of the resolution, as provided in Section 1.2.2 above.

An ordinary majority out of the total votes of the shareholders which are participating in the general meeting, who are entitled to vote and who voted thereat, without taking into account the abstaining votes.

2. The general meeting will convene on July 5, 2012, at 10:00, at the Bank's offices, 7 Zabotinsky St., Ramat Gan, 13th floor. If the meeting is postponed it will be held on July 12, 2012, at the same time and place.
3. The effective date for determining the shareholders' entitlement to vote in the general meeting, as provided in Section 182 of the Law, is June 6, 2012.
4. The legal quorum for holding the special general meeting will be constituted upon the presence, in person or by a proxy, of two shareholders with at least twenty five percent (25%) of the voting right, within half an hour from the date which was determined for the beginning of the meeting.
5. A shareholder will be entitled to vote at the special general meeting, in person or by a proxy. In addition, a shareholder shall be entitled to vote at the special general meeting, in a vote for approval of the resolutions on the agenda, as provided in Sections 1.1 and 1.2 above, through a voting paper, as provided in Section 7 below.
6. The document appointing a proxy to vote (the "**Letter of Appointment**") and the power of attorney under which the Letter of Appointment was signed (if any) or a copy thereof, certified to the Bank's satisfaction, will be prepared and signed by the appointer or by his proxy who will be authorized therefor in writing, and if the appointer is a corporation, will be signed in such manner which will bind the corporation. The Letter of Appointment will be deposited in the Bank's offices by no later than 48 hours prior to the date which is scheduled for the beginning of the meeting.

7. Voting in writing will be performed on the second part of the voting paper, which is attached as an annex hereto. 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.
8. 8.1 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 a group of holders, according to the meaning thereof in Section 11D(a)(3)(b) of the Banking Ordinance, 1941, regarding a voting on the appointment of a director who was proposed by them pursuant to the said section, and to a holder of a means of control who have come to an agreement with another, whereby the other person would vote in his name and on his behalf with no consideration, 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".

- 8.2 From the aforesaid provisions, it arises, *inter alia*, that in respect of the appointment of the external director, as provided in Section 1.1 above, a proxy to vote who is also a shareholder in the Bank, is entitled to vote in the name and on behalf of only one additional shareholder, as provided in the said provisions.
 - 8.3 In respect of the additional issue on the agenda of the general meeting (as provided in Section 1.2 above), there is no impediment that a proxy to vote will represent more than one shareholder.
9. Please note the ISA statement, as of November 30, 2011, titled "Statement on the Manner of Voting of Interested Parties, Senior Officers and Institutional Bodies at Meetings" (the "**Statement**"), whereby:

An "Interested Party" (as defined in Section 1 of the Securities Law, 5728-1968), a "Senior Officer" (as defined in Section 37(d) of the Securities Law, 5728-1968) and an "Institutional Investor" (as defined in Regulation 1 of the Supervision Regulations on Financial Services and Provident Funds((Participation of Managing Company in a General Meeting), 5769-2009 and a Manager of Joint Investments in Trust, 5754-1994) (together, the "Voter" or the "Voters"), who are voting at the

meeting, on the resolution which is proposed in Section 1.1 of the agenda (appointment of an external director), will notify the Bank prior to the voting, regarding the details which are required pursuant to Section 2(b) of the Statement, and in case where the Voter voted in accordance with a proxy (namely, through a proxy), the aforesaid details will be provided, both with regard to the grantor of the proxy and the proxy.

10. Inspection of documents

This immediate report and the full text of the proposed resolutions may be inspected at the Bank's Offices, 7 Zabotinsky St., Ramat Gan, Tel: 03-7559720, during ordinary business hours, until the time scheduled for the meeting.

Sincerely,

Maya Feller
Bank Secretary