

**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  
 7 Jabotinsky Street, Ramat Gan, 52520  
 Tel: 972-3-7559207, 972-3-7559720, Fax: 972-3-7559913  
 e-mail: [mangment@umtb.co.il](mailto:mangment@umtb.co.il)

Date of transmission: February 18, 2014  
 Ref: 2014-01-041482

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)

**An amending report to an erroneous report filed on February 17, 2014, whose ref. no. is 2014-01-041080**

The error: An error in the list of issues on the agenda – Section 3 of the form below

Reason for error: Typographical error

The amendment: In Section 3 of the form below ("On the Agenda"), the following issue was added – "Payment of a One-Time Bonus to the Former Chairman of the Board of Directors" (it is hereby clarified that the said issue is included in the report on the convening of the general meeting which was attached to the report released by the Bank on February 17, 2014).

**Immediate Report on the Convening/Postponement/Cancellation of a Meeting**

Section 36B(a) and (d) and Section 36C of the Securities (Periodic and Immediate Reports) Regulations, 5730-1970

*Explanation: insofar as any of the matters on the meeting's agenda is the approval of a transaction with a controlling shareholder or the approval of an extraordinary offer, Form T133 or T138 should be filed, respectively, and thereafter a report should be filed on this form as well*

The Corporation announces the convening of a meeting

1. On February 17, 2014 it was resolved to convene a special general meeting.  
  
To be held on Tuesday, March 25, 2014, at 10:00 hours, at the following address: 7 Jabotinsky Street, 13<sup>th</sup> floor, Ramat Gan
2. The number of the security on the Tel-Aviv Stock Exchange ("TASE") entitling the holder thereof to participate at the meeting: 695437.  
  
The effective date for entitlement to attend and vote at the meeting: February 25, 2014.
3. On the agenda:

Issues/resolutions which will be raised at the meeting:

1 The issue/resolution and the details thereof: Engagement in a policy for the insurance of Directors and other officers
2 The issue/resolution and the details thereof: Payment of a one-time bonus to the former Chairman of the Board of Directors

Attached please find the report on the convening of the meeting.

4. Attached hereto please find: The voting paper.

*Explanation: if a voting paper and/or a position notice are attached, they should be prepared in accordance with the provisions of the Companies Regulations (Voting in Writing and Position Notices), 5766-2005.*

5. The legal quorum for holding the meeting:

The legal quorum for the holding of the meeting will be constituted upon the presence, in person or by proxy, of two shareholders holding at least 25% of the voting rights, within half an hour from the time set for the beginning of the meeting.

6. In the absence of a legal quorum, the adjourned meeting will be held on April 1, 2014 at 10:00 hours, at the following address: 7 Jabotinsky Street, 13<sup>th</sup> floor, Ramat Gan.

7. The times and places where any proposed resolution which was not described in full in the above description of the agenda may be inspected:

The Bank's offices, 7 Jabotinsky St., Ramat Gan, Tel: 03-7559720, during standard business hours, until the time of the meeting.

Comment with respect to Section 3 above:

See a separate report published by the Bank on February 17, 2014, on a transaction or an engagement with the controlling shareholder and on a transaction or an engagement with the CEO, which does not require the approval of the general meeting, pursuant to Regulation 37A(5) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (ref. no. 2014-01-040936).

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

2014-01-040936

Previous names of reporting entity: United Mizrahi Bank Ltd.

Form updated on: December 31, 2013

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Name of the person reporting electronically: Maya Feller; Position held: Company Secretary  
7 Jabotinsky Street, Ramat Gan, 52520, Israel, Tel: 972-3-7559720, Fax: 972-3-7559923,  
e-mail: [mangment@mizrahi.co.il](mailto:mangment@mizrahi.co.il)

**Mizrahi Tefahot Bank Ltd. (the "Bank")**

Date: February 17, 2014

**To**  
**Israel Securities Authorities**  
**Through the Magna – Electronic**  
**Reporting System of the ISA**

**To**  
**The Tel Aviv Stock Exchange**  
**Through the Magna – Electronic**  
**Reporting System of the ISA**

Dear Sir/Madam,

**Immediate Report on the Convening of a Special General Meeting**

A notice is hereby given pursuant to the Securities Regulations (Immediate and Periodic Reports) 5730-1970, and the Companies Regulations (A Notice of a General Meeting and a Class Meeting in a Public Company), 5760-2000 (the "**Companies Regulations**"), of the convening of a special general meeting of the Bank's shareholders (the "**General Meeting**"), which will be held on Tuesday, March 25, 2014, at 10:00, at the Bank's offices at 7 Jabotinsky St., 13<sup>th</sup> floor, Ramat Gan, for the purpose of the approval of the resolutions provided below.

1. **The Proposed Resolutions**

- 1.1. To approve a one-time bonus in respect of 2012 to Mr. Jacob Perry (the "**Former Chairman of the Board of Directors**") in the sum of NIS 615 thousand, all as provided in Section 2.1 below.
- 1.2. To engage in a policy for insuring the liability of the Directors and other officers in the Bank and in companies in the Bank's group (which includes subsidiaries of the Bank, including, Bank Yahav for Government Employees Ltd.); the insurance policy, as aforesaid, will also insure officers who are controlling shareholders in the Bank as well as the Bank's CEO, all as provided in Section 2.2.1 below.

2. **The Issues on the Agenda**

2.1. **One-time bonus to the Former Chairman of the Board of Directors**

On October 31, 2012, Mr. Perry ceased to serve as the Chairman of the Bank's Board of Directors, in view of his running for a Knesset seat on the elections for the 19<sup>th</sup> Knesset. Upon the termination of his service and subject to the provisions of the employment agreement, other than the release of the amounts which were accumulated for Mr. Perry's benefit, and which were set aside during his term of employment, as customary, and a payment for 6-months prior notice, Mr. Perry has not received any additional compensation from the Bank with respect to the termination of his service.

The discussion on the granting of a bonus to Mr. Perry with respect to 2012, was postponed until after the formalization and approval of the

Bank's compensation policy, and on August 27, 2013, the general meeting of the Bank's shareholders approved the adoption of compensation policy which will apply to the terms of service and employment of the Bank's officers and Directors, according to Amendment 20 to the Companies Law (the "**Bank's Compensation Policy**").

The Bank's Compensation Policy refers, as required pursuant to the Companies Law, 5759-1999, to the terms of service and employment of the Chairman of the Board of Directors. Among others, it sets parameters for the granting of an annual bonus, which is composed of 85% "company's general targets" (ROE, return of the Bank's stock relative to the benchmark index and operating efficiency ratio) and 15% "discretion of supervisor" (namely, the Compensation Committee and the Board of Directors). The Compensation Policy determines that with respect to the "company's general targets", the Compensation Committee and the Board of Directors will set levels, the meeting of which will grant entitlement to a different amount of bonus. It shall be noted that naturally, with respect to Mr. Perry, no such levels were set in advance.

The terms of service and employment of the incumbent Chairman of the Board of Directors, Mr. Moshe Vidman, which were approved by the Bank's shareholders meeting on June 17, 2013, determine, *inter alia*, measurable parameters for cash entitlement with respect to the years 2013-2015, which are made stricter each year.

**It is proposed to implement these measurable criteria on 2012, and to set the cash compensation for Mr. Perry, based on the calculation of these criteria with respect to the 2012 results. For the manner of calculation of the bonus, see Annex A. For details on the compensation for Mr. Perry with respect to 2012, according to the sixth schedule of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, see Annex B.**

It shall be noted that Mr. Perry furnished the Bank with the required approval for receiving the bonus by virtue of his capacity as a Minister in the Israeli government.

**2.1.1. The factors taken into account by the Compensation Committee and the Board of Directors**

For the purpose of the approval of the Chairman's terms of service and employment, the Compensation Committee and the Board of Directors took into account the factors specified in Section 267B(a) of the Companies Law, as follows:

- (1) Promoting the Bank's objectives, its work plan and its policy in the long-term;

- (2) Creating appropriate incentives for the Chairman of the Board of Directors, considering, *inter alia*, the Bank's risk management policy;
- (3) The scope of the Bank's business and the nature of its activity;
- (4) In respect of the variable components in the service and employment terms (the bonus) – the Former Chairman's contribution to the obtaining of the Bank's goals and the maximization of its profits, all in long-term view and in accordance with the Chairman's position.

2.1.2. **The issues addressed by the Compensation Committee and the Board of Directors:**

The Compensation Committee and the Board of Directors addressed, *inter alia*, the following issues:

- (1) The Chairman's education, qualifications, expertise, professional experience and achievements;
- (2) The relation between the service and employment terms of the Former Chairman of the Board of Directors, and the salary of the other Bank employees, and in particular, the relation to the average and median salary of the employees and the effect of the differences between them on the working relations in the Bank;
- (3) The factors taken into account when it was decided to grant to Mr. Perry a bonus in the past, including, comparison to the compensation paid to chairmen of boards of directors in comparable companies and the consideration of his contribution to the achievement of the Bank's goals and additional parameters.
- (4) The fact that Mr. Perry terminated his position only two months prior to the end of the calendar year.
- (5) The fact that Mr. Perry received a cash bonus at the end of each one of the years in which he served as the Bank's Chairman (other than in 2008, when Mr. Perry requested from the Board of Directors to be excluded from the group of bonus receivers in the Bank and according to his request, Mr. Perry did not receive a bonus in respect of that year).

- (6) The fact that the other officers in the Bank, who are entitled thereto, received bonus for 2012<sup>1</sup>.

**2.1.3. The reasoning given by the Compensation Committee and the Board of Directors**

The Compensation Committee and the Board of Directors found that the Chairman's terms of compensation are in the Bank's interest and are reasonable under the circumstances, due to the following reasons:

- (1) In 2012, the Bank improved its business results, compared to its business results in 2011 and relative to the banking system in general.
- (2) The fact that Mr. Perry served as the Chairman of the Bank's Board of Directors during most of 2012 (other than the last two months) and terminated his service since he was running for a Knesset seat in the elections for the 19<sup>th</sup> Knesset.
- (3) The fact that the other officers in the Bank who are entitled thereto, received a bonus in respect of 2012<sup>2</sup>.
- (4) The Chairman of the Board of Directors' terms of service and employment, including the proposed bonus, compared with the terms of service and employment of a chairman of a board of directors who is not a controlling shareholder, in the four large Israeli banks, as well as in other public insurance companies, are reasonable and appropriate under the circumstances, and are within the range of the data presented;
- (5) The relation between the terms of service and employment of the Former Chairman of the Board of Directors (who was employed at a scope of 60% position), and the salary of the Bank's other employees and contractor workers, and in particular the relation to the average salary and the median salary of such employees, which are 12.7 and 15.5 respectively, are reasonable, and according to the estimate of the Board of Directors, these gaps have no influence on the working relations in the Bank;
- (6) The proposed bonus coincides with the Bank's Compensation Policy.

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<sup>1</sup> Other than members of the Board of Directors who, according to their choice, were included in the option plan for members of the board of management *in lieu* of receiving bonuses.

<sup>2</sup> Other than as provided in footnote 1 above.

#### 2.1.4. **The approval procedure of the one-time bonus**

The terms of the one-time bonus to the Former Chairman of the Board of Directors, were discussed and approved by the Bank's Compensation Committee in its meeting of December 30, 2013, and were discussed and approved by the Bank's Board of Directors in its meeting of February 17, 2014, and are subject to the approval of the Bank's general meeting. The Compensation Committee and the Board of Directors unanimously approved the terms of the granting of the one-time bonus to the Chairman of the Board of Directors.

#### 2.2. **Approval of engagement in a liability insurance policy for the Directors and officers**

2.2.1. The Bank will engage in a policy (the "**Insurance Policy**") for insuring the liability of the Directors and other officers (the "**Officers**") in the Bank and in companies in the Bank's group, which includes subsidiaries of the Bank, including, Bank Yahav for Government Employees Ltd. (the "**Bank's Group**"); the Insurance Policy will also insure officers who are controlling shareholders in the Bank, and the Bank's CEO, all as provided below:

- (1) The insurer according to the Insurance Policy is Clal Insurance Company Ltd. (the "**Insurer**").
- (2) The insurance period is 18 months, beginning on April 1, 2014, and ending on September 30, 2015 (the "**Insurance Period**").
- (3) The premium which will be paid for the Insurance Policy will be approx. USD 590,000.
- (4) The limits of the Insurer's liability pursuant to the Insurance Policy are USD 130 million per event and USD 130 million, in the aggregate, for the entire Insurance Period. In addition, the Policy includes insurance coverage for legal expenses, in Israel, in the sum of 20% of the insurance amount.

(the "**Insurance Decision**"; the engagement with Clal Insurance Company Ltd., as aforesaid, will be referred to hereinafter as the "**Engagement**")

2.2.2. Ms. Liora Ofer and Mr. Moshe Wertheim, who are among the controlling shareholders in the Bank, serve as Directors in the Bank. In addition, Mr. Yuli Ofer, OBM, Ms. Liora Ofer's father, served as a Director in the Bank until December 24, 2008, and Mr. Idan Ofer, who is the brother of Mr. Eyal Ofer, one of the Bank's controlling shareholders, also served in the

past as a Director in the Bank. Therefore, the Insurance Policy, which will apply to the Directors and officers who are serving or who have served in the Bank, subject to the conditions stipulated therein, will also apply to Mr. Moshe Wertheim, Ms. Liora Ofer, Mr. Idan Ofer, and Mr. Yuli Ofer, OBM, due to their service as Directors, as aforesaid.

In addition, the Insurance Policy will also apply to the Bank's CEO.

- 2.2.3. The Bank's Compensation Committee and Board of Directors approved the Engagement, according to Regulation 1A1 and Regulation 1B(5) of the Companies Regulations (Relief in Transactions with Interested Parties), 5760-2000 (the "**Relief Regulations**"), as the case may be, noting, in this regard, that the Engagement meets the conditions specified in Regulation 1A1 and Regulation 1B(5) of the Relief Regulations.
- 2.2.4. Accordingly, the Bank published on February 17, 2014, a separate immediate report, regarding a transaction or an engagement with a controlling shareholder and a transaction or an engagement with the CEO, which does not require the approval of the general meeting, pursuant to Regulation 37A(5) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (ref. no. 2014-01-040936).

The Bank approached the Bank's subsidiaries and proposed to them, subject to the approval of the Insurance Decision by the general meeting, to participate in the Insurance Policy and to bear their share in the premium. If any of the subsidiaries does not engage in the Insurance Policy, the Bank's share in the premium amount will increase, up to the full premium amount.

2.2.5. **The proposed resolution:**

To engage in a liability insurance policy for the Directors and other officers, in the Bank and in companies in the Bank's Group including officers who are controlling shareholders in the Bank as well as the Bank's CEO, all as provided in Section 2.2.1 above.

2.2.6. **The reasoning given by the Compensation Committee and the Board of Directors:**

- (1) The insurance amount of USD 130 million (instead of USD 120 million, which is the existing insurance amount) was determined in view of the risks involved in the activity of the Bank's Officers, while taking into account the areas of activity of the Bank and the Bank subsidiaries, and their scope, as well as the Bank's status as a public company.

- (2) In view of the increase in the Bank's activity, it is appropriate to also increase the insurance amounts which were determined in the policy ending on March 31, 2014.
- (3) The insurance amount of USD 130 million is reasonable considering the current market data regarding this type of insurance.
- (4) It was resolved to engage in the Insurance Policy, for a period of 18 months, as in the policy ending on March 31, 2014 and the policy before it, instead of for a period of 12 months, as was customary in the Bank in the past (until March 31, 2011). Indeed, this way, the insurance amount cap of USD 130 million will be valid for a period of 18 months instead of 12 months only, and no additional insurance cap will be created after the first 12 months. However, after increasing the insurance amount and considering the possibility of a future increase in the premium costs, it is advisable to set the insurance premium for a period which will be longer than one year.
- (5) Notwithstanding the increase of the insurance amount to USD 130 million, the premium which will be paid for the Insurance Policy, for the Insurance Period, is slightly lower than the premium which was paid for the Insurance Policy ending on March 31, 2014. Moreover, the premium which will be paid for the Insurance Policy, for the Insurance Period, as aforesaid, is reasonable, considering the market data regarding officers' liability insurance in the banking system.
- (6) The Bank's Engagement in the officer's liability Insurance Policy, as aforesaid, is for the benefit of the Bank, since it assists the Directors and officers in the appropriate fulfillment of their duties, while taking into account the risks involved therein.

3. **The Majority which is Required for the Approval of the Resolution at the General Meeting and the Adjourned Meeting**

- 3.1. For the purpose of approving issue 2.1 on the agenda, pursuant to Section 267A(b) of the Companies Law, 5759-1999, it is required, that in addition to ordinary majority, one of the following should be met: (a) the majority votes in the general meeting shall include the majority of the shareholders who are not controlling shareholders in the Bank or who have a personal interest in the approval of the compensation, who are participating at the vote (the abstaining votes shall not be taken into account in the count of votes of the said shareholders); (b) the total objecting votes out of the shareholders specified in para. (a) above

shall not be higher than two percent of the total voting rights in the Bank.

- 3.2. For the purpose of the approval of issue 2.2 on the agenda, the required majority for approval of the Insurance Decision is an ordinary majority out of the total votes of the shareholders present at the general meeting, who are entitled to vote and voting thereat, without taking into account the abstaining votes.

4. **The time and place of the general meeting**

- 4.1. The general meeting will convene on Tuesday, March 25, 2014, at 10:00 hours, at the Bank's offices at 7 Jabotinsky Street, 13<sup>th</sup> floor, Ramat Gan (the "**Bank's Offices**"). If the meeting is adjourned, it will be held on April 1, 2014, at the same time and place.
- 4.2. The date for determining the entitlement of a shareholder in the Bank to vote at the general meeting, as provided in Section 182 of the Companies Law, is February 25, 2014 (the "**Effective Date**").

5. **Legal Quorum and Manner of Voting**

- 5.1. The legal quorum for holding the 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 rights, within half an hour from the time which was appointed for the beginning of the meeting. If, within half an hour from the time which was appointed for the meeting, no legal quorum shall be present, the meeting will be postponed by one week, to the same day in the week at the same time and place. Legal quorum at the postponed meeting shall be constituted upon the presence at the beginning of the meeting, in person or by proxy, of two shareholders with at least fifteen percent (15%) of the voting rights, within half an hour from the date which was appointed for the beginning of the meeting. If, within half an hour from the time which was appointed for the meeting no legal quorum will be present, the postponed meeting shall be postponed by one week, to the same day in the week at the same time and place. Legal quorum at the second postponed meeting shall be constituted upon the presence at the beginning of the meeting, in person or by proxy, of two shareholders, whatever their share in the voting rights may be.
- 5.2. According to the Companies Regulations (Proof of Ownership in a Share for the Purpose of Voting at the General Meeting), 5760-2000, a shareholder holding a share which is registered in his name with a TASE member and such share is included in the Bank's shares which are registered in the shareholder register in the name of a nominee company, and who wishes to vote at the general meeting, shall furnish the Bank with a certification from the TASE member with which his right for the share is registered, regarding his ownership in the share, on the Effective Date, pursuant to Form 1 in the schedule of the said Regulations.

- 5.3. A shareholder shall be entitled to vote at the general meeting, in person or by proxy. In addition, a shareholder may vote at the general meeting, in a vote on the resolutions on the meeting's agenda (as provided in Section 1 above), through a voting paper, as provided in Section 5.4 below.

Proxies for participation and voting at the meeting shall be deposited at least 48 hours prior to the convening thereof at the Bank's Offices at the address specified above.

- 5.4. The address of the ISA's distribution website (the "**Distribution Website**") and the TASE website, in which the voting paper and position notices, as defined in Section 88 of the Companies Law, can be found, are: [www.magna.ias.gov.il](http://www.magna.ias.gov.il) and [www.maya.tase.co.il](http://www.maya.tase.co.il), respectively. Voting pursuant to a voting paper shall be performed on part two of the voting paper, as published on the Distribution Site, and which is attached as an **Annex** hereto. A shareholder shall be entitled to approach the Bank directly and to receive from it the voting paper and position notices (if any).
- 5.5. A TASE member will send, free of charge, by e-mail, a link to the voting paper and position notices on the Distribution Site, to any shareholder who is not registered in the shareholders register and whose shares are listed with such TASE member, unless the shareholder shall have notified that he is not interested in it, provided that the notice is given in respect of a specific securities account and prior to the Effective Date.
- 5.6. 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 shall so request. A request in this regard shall be given in advance in respect of a specific securities account. The voting paper should be furnished to the Bank's offices by no later than 72 hours prior to the date of the convening of the general meeting. The deadline for furnishing a position notice to the Bank is ten days after the Effective Date.
- 5.7. The Bank does not allow voting through the internet.
- 5.8. According to the Companies Regulations, one or more shareholders holding on the Effective Date shares which constitute five percent or more of all of the voting rights in the Bank, and anyone holding such percentage of all of the voting rights that are not held by the Bank's controlling shareholder, as defined in Section 268 of the Companies Law, may inspect the voting papers as stipulated in Section 10 of the Companies Regulations (Voting in Writing and Position Notices), 5766-2005.

6. **The Bank's representative with respect to this Immediate Report**

Dr. Shimon Weiss, the Chief Legal Advisor of Mizrahi Tefahot Bank Ltd., 7 Jabotinsky St., Ramat Gan, Tel: 03-7559188, and Fax: 03-7559212.

7. **Inspection of documents**

The full text of the proposed resolutions may be inspected at the Bank's Offices at 7 Jabotinsky St., 13<sup>th</sup> floor, Ramat Gan, during standard business hours, by appointment (Tel: 03-7559720).

**Sincerely,**

**Mizrahi Tefahot Bank Ltd.**

**By: Maya Feller, Bank Secretary**

**Annex A – The Manner of Calculation of the Bonus to Mr. Perry**

<b>Annual Bonus</b>	<b>Weight</b>	<b>2012</b>	<b>Number of Salaries</b>	<b>Weighted Number of Salaries</b>
<b>Efficiency Ratio</b>	<b>15%</b>	<b>58.2%</b>	<b>8.6</b>	<b>1.29</b>
<b>Return of the Bank's stock above the Banks Index</b>	<b>15%</b>	<b>4.8%</b>	<b>8.1</b>	<b>1.22</b>
<b>ROE</b>	<b>55%</b>	<b>13.1%</b>	<b>7.9</b>	<b>4.34</b>
<b>Total</b>				<b>6.85</b>
<b>Monthly salary in NIS in October 2012</b>				<b>107,767</b>
<b>Annual Bonus</b>				<b>738,204</b>
<b>Relative bonus for 10 months</b>				<b>615,170</b>

**Annex B – Breakdown of the Annual Compensation to Mr. Perry in respect of 2012, including the proposed bonus in Thousand NIS in Employer's Cost Terms**

Details of the receiver of the compensation				Compensation for services					Other			
Name	Position	Scope of position	Rate of holding in the corp.'s capital	Salary	Annual bonus	Provision for social benefits	Commission	Value of additional benefits	Interest	Rent	Other	Total
Jacob Perry	Chairman of the Board of Directors	60%	-	1,933	615	227	-	131	-	-	-	2,906

**MIZRAHI TEFAHOT BANK LTD (THE: 'BANK')**

**VOTING PAPER PURSUANT TO THE COMPANIES  
REGULATIONS (VOTING IN WRITING AND POSITION NOTICES), 5766-  
2005 (THE "REGULATIONS")**

**Part One**

1. Name of Company: Mizrahi Tefahot Bank Ltd.
2. The type of general meeting and the date, time and place thereof: special general meeting to be held on Tuesday, March 25, 2014, at 10:00 hours, at the Bank's offices at 7 Jabotinsky Street, 13<sup>th</sup> floor, Ramat Gan. If no quorum shall be present, the meeting will be postponed by one week, to the same day, same time and same place.
3. The resolutions on the agenda on which a vote can be given by a voting paper:
  - 3.1. A one-time bonus to Mr. Jacob Perry, the former Chairman of the Board of Directors (the "Former Chairman of the Board of Directors") – issue no. 2.1 on the agenda, as provided in the Immediate Report released by the Bank on February 17, 2014 (the "Immediate Report").

**The nature of the issue and the main facts which are required for understanding it:**

On October 31, 2012, Mr. Perry ceased to serve as the Chairman of the Bank's Board of Directors, since he was running for a Knesset seat in the elections for the 19<sup>th</sup> Knesset. Upon the termination of his service and subject to the provisions of the employment agreement, other than the release of the amounts which were accumulated for Mr. Perry's benefit, and which were set aside during his term of employment, as customary, and a payment for 6-months prior notice, Mr. Perry has not received any additional compensation from the Bank with respect to the termination of his service.

The discussion on the granting of a bonus to Mr. Perry with respect to 2012, was postponed until after the formalization and approval of the Bank's compensation policy, and on August 27, 2013, the general meeting of the Bank's shareholders approved the adoption of compensation policy which will apply to the terms of service and employment of the Bank's officers and Directors, according to Amendment 20 to the Companies Law (the "**Bank's Compensation Policy**").

The Bank's Compensation Policy refers, as required pursuant to the Companies Law, 5759-1999, to terms of service and employment of the Chairman of the Board of Directors. Among others, it sets parameters for the granting of an annual bonus, which is composed of 85% "company's general targets" (ROE, return of the Bank's stock relative to the benchmark index and operating efficiency ratio) and 15% "discretion of supervisor" (namely, the Compensation Committee and the Board of Directors). The Compensation Policy determines that with respect to the "company's general targets", the Compensation Committee and the Board of Directors will set levels, the meeting of which will grant entitlement to a different amount of bonus. It shall be noted that naturally, with respect to Mr. Perry, no such levels were set in advance.

The terms of service and employment of the incumbent Chairman of the Board of Directors, Mr. Moshe Vidman, which were approved by the Bank's shareholders meeting on June 17, 2013, determine, *inter alia*, measurable parameters for cash entitlement with respect to the years 2013-2015, which are made stricter each year.

It is proposed to implement these measurable criteria on 2012, and to set the cash compensation for Mr. Perry, based on the calculation of these criteria with respect to the 2012 results. For the manner of calculation of the bonus, see Annex A to the Immediate Report. For details on the compensation for Mr. Perry with respect to 2012, according to the sixth schedule to the Securities Regulations (Periodic and Immediate Reports), 5730-1970, see Annex B to the Immediate Report.

It shall be noted that Mr. Perry furnished the Bank with the required approval for receiving the bonus by virtue of his capacity as a Minister in the Israeli government.

3.1.1. The factors considered by the Compensation Committee and the Board of Directors

For the purpose of approval the Chairman's terms of service and employment, the Compensation Committee and the Board of Directors considered the factors specified in Section 267B(a) of the Companies Law, which are as provided in Section 2.1.1 of the Immediate Report.

3.1.2. The issues addressed by the Compensation Committee and the Board of Directors:

The Compensation Committee and the Board of Directors addressed, *inter alia*, the issues specified in Section 2.1.2 of the Immediate Report.

3.1.3. For the reasoning given by the Compensation Committee and the Board of Directors, see Section 2.1.3 of the Immediate Report.

3.2. **Approval of engagement in a liability insurance policy for the Directors and officers** – issue no. 2.2 on the Agenda, as provided in the Immediate Report

**The nature of the issue and the main facts required for understanding it:**

3.2.1. Summary of the resolution

The Bank will engage in a policy (the "**Insurance Policy**") for the insurance of the liability of the Directors and other officers (the "**Officers**") in the Bank and in companies in the Bank's group, which includes subsidiaries of the Bank, including, Bank Yahav for Government Employees Ltd. (the "**Bank's Group**"); the Insurance Policy will also insure officers who are controlling shareholders in the Bank, and the Bank's CEO, all as provided below:

- (1) The insurer according to the Insurance Policy is Clal Insurance Company Ltd. (the "**Insurer**").
- (2) The insurance period is 18 months, beginning on April 1, 2014, and ending on September 30, 2015 (the "**Insurance Period**").
- (3) The premium which will be paid for the Insurance Policy will be approx. USD 590,000.
- (4) The limits of the Insurer's liability pursuant to the Insurance Policy are USD 130 million per event and USD 130 million, in the aggregate, for the entire Insurance Period. In addition, the Policy includes insurance coverage for legal expenses, in Israel, in the sum of 20% of the insurance amount.

(the "**Insurance Decision**"; the engagement with Clal Insurance Company Ltd., as aforesaid, will be referred to hereinafter as the "**Engagement**")

3.2.2. Additional details:

- 3.2.2.1. Ms. Liora Ofer and Mr. Moshe Wertheim, who are among the controlling shareholders in the Bank, serve as Directors in the Bank. In addition, Mr. Yuli Ofer, OBM, Ms. Liora Ofer's father, served as a Director in the Bank until December 24, 2008, and Mr. Idan Ofer, who is the brother of Mr. Eyal Ofer,

one of the Bank's controlling shareholders, also served in the past as a Director in the Bank. Therefore, the Insurance Policy, which will apply to the Directors and officers who are serving or who have served in the Bank, subject to the conditions stipulated therein, will also apply to Mr. Moshe Wertheim, Ms. Liora Ofer, Mr. Idan Ofer, and Mr. Yuli Ofer, OBM, due to their service as Directors, as aforesaid.

In addition, the Insurance Policy will also apply to the Bank's CEO.

3.2.2.2. The Bank's Compensation Committee and Board of Directors approved the Engagement, according to Regulation 1A1 and Regulation 1B(5) of the Companies Regulations (Relief in Transactions with Interested Parties), 5760-2000 (the "**Relief Regulations**"), as the case may be, noting, in this regard, that the Engagement meets the conditions specified in Regulation 1A1 and Regulation 1B(5) of the Relief Regulations.

3.2.2.3. Accordingly, the Bank published on February 17, 2014, a separate immediate report, regarding a transaction or an engagement with a controlling shareholder and a transaction or an engagement with the CEO, which does not require the approval of the general meeting, pursuant to Regulation 37A(5) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (ref. no. 2014-01-040936).

3.2.2.4. The Bank approached the Bank's subsidiaries and proposed to them, subject to the approval of the Insurance Decision by the general meeting, to participate in the Insurance Policy and to bear their share in the premium. If any of the subsidiaries does not engage in the Insurance Policy, the Bank's share in the premium amount will increase, up to the full premium amount.

3.2.3. For the reasoning given by the Compensation Committee and the Board of Directors, see Section 2.2.6 of the Immediate Report.

4. The place and times at which the full text of the proposed resolutions may be inspected: The Immediate Report can be inspected on the ISA and TASE websites (as provided in Section 10 below), and the related documents of the resolutions contemplated in the Immediate Report can be inspected at the Bank's offices, during standard business hours, by appointment, at: 03-7559720.

5. The majority required (at the general meeting and the adjourned meeting) for passing a resolution at the general meeting on the matters on the agenda:
  - 5.1. For the approval of issue 3.1 above on the agenda (a one-time bonus to Mr. Jacob Perry), according to Section 267A(b) of the Companies Law, 5759-1999, it is required, in addition to an ordinary majority, that one of the following shall be met: (a) the majority votes in the general meeting shall include the majority of the shareholders who are not controlling shareholders in the Bank or who have a personal interest in the approval of the compensation, participating at the vote (the abstaining votes shall not be taken into account in the count of votes of the said shareholders); (b) the total objecting votes out of the shareholders specified in para. (a) above shall not be higher than two percent of the total voting rights in the Bank.
  - 5.2. For the purpose of approving issue 3.2 on the agenda (the approval of engagement in a policy for insurance of the liability of the Directors and other officers), the required majority is ordinary majority of the votes of the shareholders present at the general meeting, entitled to vote and voting thereat, without taking into account the abstaining votes.
6. This voting paper will only be valid if accompanied by a certificate of title in respect of a shareholder whose shares are registered with a TASE member, and such shares are included amongst the shares recorded in the register of shareholders in the name of a nominee company (an "**Unregistered Shareholder**") or a photocopy of an identity certificate, passport or certificate of incorporation, if the shareholder is registered in the Bank's books, and it should be delivered to the Bank by no later than 72 hours prior to the time of the vote.
7. The Bank does not allow voting through the Internet.
8. The Bank's address for the delivery of voting papers and position notices: The Bank's offices at 7 Jabotinsky Street, 13<sup>th</sup> floor, Ramat Gan.
9. The deadline for delivery of voting papers and position notices: The deadline for the delivery of voting papers will be by no later than 72 hours prior to the time scheduled for the general meeting. The deadline for the delivery of position notices to the Bank will be by no later than 10 days after the Effective Date as provided in the Immediate Report and in Part Two hereof (the "**Deadline for Delivery of Position Notices**"), and the deadline for the delivery of the Board of Directors' response to the position notices will be by no later than 5 days after the Deadline for Delivery of Position Notices.
10. The addresses of the Israel Securities Authority's distribution site and the Tel Aviv Stock Exchange website, on which the voting papers and position notices are posted: Website of the Israel Securities Authority: <http://www.magna.isa.gov.il/>; and of the Tel Aviv Stock Exchange Ltd: <http://maya.tase.co.il>

11. A shareholder whose shares are registered with a TASE member will be entitled to receive the certificate of title at the TASE member's branch or by mail to his address, for delivery charge only, if he shall so request. A request in this regard shall be given in advance in respect of a particular securities account.
12. An Unregistered Shareholder will 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 shall have notified the TASE member that he does not wish to receive such link or that he wishes to receive voting papers by mail in consideration for payment. His notice regarding voting papers shall also apply with regard to position notices.
13. A shareholder shall be entitled to approach the Bank directly for receiving the voting paper and the position notices.
14. One or more shareholders holding shares which constitute five percent or more of all of the voting rights, and anyone holding such percentage of all of the voting rights that are not held by the Bank's controlling shareholder, as defined in Section 268 of the Companies Law ("**Controlling Shareholder**"), may inspect the voting papers as stipulated in Section 10 of the Regulations..

The quantity of shares constituting 5% of the total voting rights in the Bank:  
11,476,242 ordinary shares of NIS 0.1 par value each .

The quantity of shares constituting 5% of the total voting rights which are not held by the Controlling Shareholder: 6,345,600 ordinary shares of NIS 0.1 par value each.

A shareholder shall indicate his manner of voting in respect of each issue on the agenda in Part Two of this Voting Paper

**Voting Paper - Part Two**

Company's name: Mizrahi Tefahot Bank Ltd.

Company's address (for delivery of voting papers): 7 Jabotinsky Street, 13<sup>th</sup> floor,  
Ramat Gan.

Company's no.: 520000522

Time of Meeting: Tuesday, March 25, 2014 at 10:00.

Type of Meeting: Special.

Effective date: End of Tuesday, February 25, 2014.

**Details of the Shareholder**

Shareholder's name - \_\_\_\_\_

Identity no. - \_\_\_\_\_

If the shareholder does not have an Israeli ID -

Passport no. - \_\_\_\_\_

Issuing country - \_\_\_\_\_

Valid until - \_\_\_\_\_

If the Shareholder is a Corporation -

Corporation no. - \_\_\_\_\_

Country of Incorporation - \_\_\_\_\_

Are you an interested party in the Bank? \_\_\_\_\_

Are you a senior officer? \_\_\_\_\_

Are you an institutional body? \_\_\_\_\_

**Manner of voting**

The issue on the agenda, as provided in Section 3 above	Manner of voting <sup>1</sup>			Are you a controlling shareholder or an interested party in the approval of the resolution? <sup>2</sup>	
	Abstain	Against	For	Yes*	No
One-time bonus with respect to 2012 to the Former Chairman of the Board of Directors					
Engagement in a policy for insuring the liability of the Directors and other officers in the Bank and in companies in the Bank's Group					

\_\_\_\_\_

Date

\_\_\_\_\_

Signature

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For shareholders holding shares through a TASE member (in accordance with Section 177(1) of the Companies Law) - this voting paper is only valid when accompanied by a certificate of title

For shareholders entered in the Bank's register of shareholders - the voting paper is valid when accompanied by a photocopy of the certificate of identity/passport/certificate of incorporation.

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**Details**

\_\_\_\_\_

\_\_\_\_\_

<sup>1</sup> Failure to mark will be considered as abstention from voting on the issue.

<sup>2</sup> A shareholder who shall not fill out this column or who will mark "yes" and not provide details, his vote shall not be counted.