

**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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Date of transmission: August 3, 2015

Ref. no.: 2015-01-088314

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)

**Immediate Report on a Transaction with a Controlling Shareholder or with a Director which does not require the Approval of the General Meeting**

Regulation 37A(5) of the Securities Regulations (Periodic and Immediate Reports),  
5766-2006.

1. A report on the approval of a transaction in accordance with Regulation 1B of the Companies Regulations (Relief for Transactions with Interested Parties), 5760-2000 is hereby submitted.
2. Date of the transaction's approval by the Board of Directors: *August 3, 2015*.
3. The main points of the transaction and the main points of the reasoning of the Board of Directors and the Audit Committee for the approval of the transaction:  
  
*See attached file*  
*Relief\_isa.pdf*
4. The main points of the opinion of the Companies Authority and the main points of the decision of the Ministerial Committee on Privatization or details regarding the alternative whereby the exemption is given.

Explanation: to be filled out in case of an extraordinary transaction by a government-controlled public company.

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5. File attached \_\_\_\_\_
6. Below is the wording of Regulation 1C of the Companies Regulations (Relief for Transactions with Interested Parties), 5760-2000: (a) The relief according to Regulations 1 to 1B shall not apply to a public company if one shareholder or more holding at least one percent of the issued capital or the voting rights in the company, notified his objection to the said relief, and provided that the objection was submitted to the company in writing by no later than fourteen days from the day on which the public company filed a report pursuant to the Securities Law regarding the adoption of the resolution or from the date on which it filed an amending report to the said report. (b) In case of the submission of an objection as provided in sub-regulation (a), the transaction will be approved in accordance with the provisions of Section 273 or 275, as the case may be.

Comment with respect to Section 1 of the report:

This relief report is filed in accordance with Regulations 1B(5) and 1A1 of the Companies Regulations (Relief for Transactions with Interested Parties), 5760-2000.

Note with respect to Section 3 of the report:

The reasoning provided in Section 3 above, is the reasoning given by the Remuneration Committee and the Board of Directors (and not the reasoning given by the Audit Committee).

Note with respect to Section 6 of the report:

If an objection has been filed, as stated in this section, the transaction requires a confirmation according to that which is stated in Section 273 or 275 or 272(c1) of the Companies Law, 5759-1999.

The above report was signed by Ms. Maya Feller, Bank Secretary.

Ref. no. of previous documents on the issue (the reference does not constitute incorporation by way of reference):

**2015-01-088308**

Previous names of the reporting entity: United Mizrahi Bank Ltd

Form structure revision date: June 3, 2015

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Name of the person reporting electronically: Maya Feller; Position held: Company Secretary  
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e-mail: mangment@umb.co.il

**Mizrahi Tefahot Bank Ltd.**

**(the "Bank")**

**T136**

Re: **Engagement In A Policy To Insure The Liability of Directors and Other Officers**

1. The main points of the transaction

1.1 Engagement in a policy (the "Insurance Policy") for insuring the liability of the directors and other officers, including the Chief Internal Auditor (the "Officers"), who serve periodically or who have served at Mizrahi Tefahot Bank Ltd. (the "Bank"), and in companies in the Bank's group, which includes the Bank's subsidiaries, including Yahav Bank for Government Employees Ltd. (the "Bank's Group"); the Insurance Policy will also insure officers who are controlling shareholders at the Bank, who serve periodically or who have served at the Bank and the Bank's CEO, all as provided below:

- (a) The insurer according to the Insurance Policy is Clal Insurance Company Ltd. (the "Insurer").
- (b) The insurance period is 18 months, beginning on October 1, 2015, and ending on March 31, 2017 (the "Insurance Period").
- (c) The premium which will be paid for the Insurance Policy will be approx. 609,000 American Dollars (hereinafter: "USD").
- (d) The limits of the Insurer's liability according to the Insurance Policy are USD 140 million per event and USD 140 million, in the aggregate, for the entire Insurance Period. In addition, the Policy includes insurance coverage for reasonable legal expenses at up to 20% of the insurance amount.

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

1.2 (a) Ms. Liora Ofer, who is among the controlling shareholders at the Bank, serves as a director at the Bank. In addition, Mr. Yuli Ofer, OBM, Ms. Liora Ofer's father, served as a director at 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, has also served in the past as a director at the Bank. In addition, Mr. Moshe Wertheim, who is among the controlling shareholders at the Bank, served as a director at the Bank until September 15, 2014.

Therefore, the Insurance Policy, which will apply to the officers who are periodically serving or who have served at the Bank, subject to the conditions stipulated therein, will also apply to the above-mentioned Ms. Liora Ofer, Mr. Idan Ofer, Mr. Yuli Ofer, OBM, and Mr. Moshe Wertheim, due to their service as directors, as aforesaid.

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

1.3 The Bank will approach the Bank's subsidiaries and propose 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. The reasoning of the Remuneration Committee and the Board of Directors

2.1 The reasoning given by the Remuneration Committee and the Board of Directors for the approval of the transaction provided as follows:

- (a) The insurance amount of USD 140 million was determined in view of the risk involved in the activity of the Officers at the Bank, while taking into account the Bank's areas and scope of activity and those of its subsidiaries, as well as the Bank's status as a public company.
- (b) The insurance amount of USD 140 million is deemed reasonable considering the current market data regarding this type of insurance.
- (c) The premium to be paid for the acquisition of the insurance amount of USD 140 million is approx. USD 19,000 higher than the premium paid for the current insurance policy (which ends on September 30, 2015, and under which the insurance amount is USD 130 million) and is reasonable, considering market data for the insurance of the liability of officers in the banking system.

- (d) It was resolved to engage in the Insurance Policy, for a period of 18 months, as was done with regard to previous policies (starting in April 2011), instead of a period of 12 months, as was customary at the Bank in the past (until March 31, 2011). Indeed, this way, the insurance amount cap of USD 140 million will be valid for a period of 18 months instead of just 12 months, and no additional insurance cap will be created after the first 12 months. However, 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.
- (e) The Bank's engagement in the Officers' liability Insurance Policy, as aforesaid, is for the benefit of the Bank, since it contributes to the directors and Officers fulfilling their duties appropriately, while taking into account the risks involved therein.
- (f) As part of the resolution to approve the engagement, the Bank's Remuneration Committee and Board of Directors have confirmed that the Insurance Decision meets the conditions listed in Regulations 1A1 and 1B(5) of the Companies Regulations (Relief of Transactions with Interested Parties), 5760-2000.

2.2 (a) The following directors participated in the Remuneration Committee meeting wherein the Insurance Decision was approved: Mr. Avi Zigelman (external director), Mr. Gideon Siterman (external director), Ms. Sabina Biran, Mr. Abraham Jacob Neyman (external director), Mr. Joseph Shachak, and Ms. Osnat Ronen (external director).

(b) The following directors participated in the Board of Directors meeting wherein the suggested resolution was approved: Mr. Moshe Vidman, Mr. Zvi Ephrat, Mr. Ron Gazit, Ms. Liora Ofer, Mr. Avi Zigelman (external director), Mr. Mordechai Meir, Mr. Gideon Siterman (external director), Mr. Joseph Shachak, Mr. Jonathan Kaplan, Ms. Sabina Biran, Mr. Joav-Asher Nachshon, Mr. Abraham Jacob Neyman (external director), Ms. Osnat Ronen (external director) and Mr. Avi Zeldman.

Mr. Gideon Siterman (who serves as an external director at the Bank, per this term's definition in the Companies Law, 5759-1999) expressed his opposition to the Insurance Decision; according to his position the change in the risk potential

involved in the activity of the Officers and the scope of the change required in the insurance amount as a result thereof should have been analyzed prior to the negotiations with the insurers, rather than increasing the insurance amount from USD 130 million (according to the policy ending on September 30, 2015) to USD 140 million, according to the suggested policy.

3. The approval of the general meeting

Since the engagement in the Insurance Policy for the liability of Officers who are directors, as aforesaid, constitutes an engagement pertaining to "terms of service and employment", per the definition of this term in Section 270(3) of the Companies Law, 5759-1999 (the "Companies Law"), this resolution is brought for the approval of the general meeting of the Bank's shareholders pursuant to Section 273 of the Companies Law.

The majority required for the approval of the resolution at the said general meeting and an adjourned general meeting, if any, is an ordinary majority of the total votes of the shareholders present at the meeting, who are entitled to vote and voting thereat, without taking into account the abstaining votes.

The Bank will release a separate immediate report on the convening of the general meeting, as aforesaid.