

**MIZRAHI TEFAHOT BANK LTD**  
No. with the Registrar of Companies: 520000522

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To	<b><u>Israel Securities Authority</u></b>	To	<b><u>Tel Aviv Stock Exchange Ltd</u></b>	T136 (Public)	Date of transmission: February 19, 2020
	<a href="http://www.isa.gov.il">www.isa.gov.il</a>		<a href="http://www.tase.co.il">www.tase.co.il</a>		Ref: 2020-01-017415

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

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

Reference numbers of previous reports on the subject: 2020-01-017409

1. A report is hereby filed on the approval of a transaction in accordance with Regulation 1B of the Companies Regulations (Relief for Transactions with Interested Parties), 5760-2000.
2. Date of the transaction's approval by the Board of Directors: *February 19, 2020*
3. The essence of the main points of the transaction and the main points of the Board of Directors' and Audit Committee's reasoning for the approval of the transaction:

*See attached file*

*Insurance19022020 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. Attached file \_\_\_\_\_

**Details of the signatories authorized to sign on behalf of the corporation**

	<b>Signatory's Name</b>	<b>Position</b>
<b>1</b>	<i>Racheli Friedman, Adv.</i>	<i>Other</i> <i>Chief Legal Advisor</i>
<b>2</b>	<i>Ms. Maya Feller</i>	<i>Other</i> <i>Bank Secretary</i>

**Explanation: According to Regulation 5 of the Securities (Periodic and Immediate Reports) Regulations, 5730-1970, a report filed under these regulations shall be signed by those authorized to sign on behalf of the corporation. The position of the senior staff on the matter (in Hebrew) can be found on the ISA's website: [Click here](#)**

*Note to section 1 above: This immediate report is filed in accordance with Regulations 1a1 and 1b(a)(5) of the Companies Regulations (Relief for Transactions with Interested Parties) 5760-2000.*

*Note to section 3 above: The reasoning detailed in section 3 of the file attached to this immediate report is the reasoning of the Remuneration Committee and the Board of Directors (and not the reasoning of the Audit Committee).*

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

[2020-01-017409](#)      [2019-01-105612](#)      [2018-01-083194](#)

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Securities of a Corporation Listed for Trading on the Tel Aviv Stock Exchange      Form structure revision date: February 18, 2020  
Abbreviated Name: Mizrahi Tefahot  
Address: 7 Jabotinsky Street, Ramat Gan, 52520      Tel:03-7559720      Fax:03-7559923  
E-mail:      Company website:  
mangment@umtb.co.il      <https://www.mizrahi-tefahot.co.il>

Previous name of the reporting entity: United Mizrahi Bank Ltd

Name of the person reporting electronically: Friedman Rachel	Position: Chief Legal Advisor	Name of Employing Company:
Address: 7 Jabotinsky Street, Ramat Gan, 52520	Tel: 03-7559500	Fax: 03-7559655      E-mail: rachelifr@umtb.co.il

**Mizrahi Tefahot Bank Ltd**  
(the “Bank”)

**Re: Engagement in a Policy to Insure the Liability of Directors and Other Officers**

On February 19, 2020, after receiving the approval of the Remuneration Committee on February 17, 2020, the Board of Directors approved the Bank’s engagement in a policy to insure the liability of the officers that serve periodically (including those that will be appointed in the future), or have served, at the Bank and/or at companies in the Bank’s group, which includes the Bank’s subsidiaries, among which is Bank Yahav for Government Employees Ltd (hereinafter, jointly: the “**Officers**”); the Bank’s Chief Executive Officer, who serves periodically (including whomsoever may be appointed in the future) or has served as the Bank’s Chief Executive Officer, as well as the Bank’s controlling shareholders and their relatives and Officers in whose liability insurance the Bank’s controlling shareholders hold personal interest, who serve periodically (including those that will be appointed in the future) or have served as Officers, shall also be insured under the Insurance Policy, as detailed in the immediate report on the convening of a special general meeting published by the Bank in tandem with this report (hereinafter: the “**Insurance Policy**”).

1. The background of the engagement

1.1 The updated remuneration policy for Bank Officers, as approved by the general meeting on December 18, 2019 (hereinafter: the “**Remuneration Policy**”) established instructions in the matter of the Bank’s engagement in a policy to insure the liability of Officers, as detailed in section 5.5 of the Remuneration Policy, which was attached as Appendix B to the (supplementary) immediate report published by the Bank on December 2, 2019 (reference no. 2019-01-105612).

1.2 On March 31, 2020, the insurance period of the current policy to insure the liability of Officers, which commenced on October 1, 2018 (hereinafter: the “**Current Insurance Policy**”), shall end. For details of the Current Insurance Policy, see the report published by the Bank on September 6, 2018 (reference no. 2018-01-083194).

The Bank’s engagement in the insurance policy, for a period that shall commence on April 1, 2020 (as detailed below in section 2) is in line with the Remuneration Policy, except in the matter of the premium sum, which is higher than the premium sum determined in the Remuneration Policy (as detailed in section 5.5.2c. of the Remuneration Policy and in section 2.1.3 below). Accordingly, the engagement in the policy to insure the liability of Officers, as detailed below, requires the approval of the Remuneration Committee and the Board of Directors, as well as the approval of the general meeting of the Bank’s shareholders, not in accordance with the Remuneration Policy, as detailed in the immediate

report on the convening of a special general meeting published by the Bank (in tandem with this report's publication) for the approval of the Insurance Policy.

- 1.3 Furthermore, as specified above, the Bank's Chief Executive Officer, as well as the Bank's controlling shareholders and their relatives, shall also be insured under the Insurance Policy, as detailed below. Accordingly, the Remuneration Committee and the Board of Directors have confirmed that said engagement fulfils the conditions established in regulations 1a1 and 1b.(a)(5) of the Companies Regulations (Relief for Transactions with Interested Parties), 5760-2000 (hereinafter: the "**Relief Regulations**"), as detailed below.

## 2. The essence of the main points of the transaction

- 2.1 The Bank shall engage in a policy to insure the liability of the officers that serve periodically (including those that will be appointed in the future), or have served, at the Bank and/or at companies in the Bank's group, which includes the Bank's subsidiaries, among which is Bank Yahav for Government Employees Ltd; the Bank's Chief Executive Officer, who serves periodically (including whomsoever may be appointed in the future) or has served as the Bank's Chief Executive Officer, as well as the Bank's controlling shareholders and their relatives and Officers in whose liability insurance the Bank's controlling shareholders hold personal interest, who serve periodically (including those that will be appointed in the future) or have served as Officers shall also be insured under the Insurance Policy, as detailed below:

- 2.1.1 The insurer according to the Insurance Policy is Clal Insurance Company Ltd. (hereinafter: the "**Insurer**").

- 2.1.2 The insurance period is 12 months, commencing on April 1, 2020 and ending on March 31, 2021 (hereinafter: the "**Insurance Period**").

- 2.1.3 The premium which will be paid for the Insurance Policy for the Insurance Period is in the sum of approx. 2.17 million American Dollars (hereinafter: "**USD**").

- 2.1.4 The limits of the Insurer's liability according to the Insurance Policy are USD 140 million per single event and USD 280 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.

- 2.1.5 In the event of a lawsuit against any of the Officers, no personal participation at any sum will apply to the officer, under the policy. In such a case, the Bank will bear the personal participation sum, at a sum of up to USD 200,000 per event.

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

- 2.2 It should be noted that Ms. Liora Ofer, who was among the controlling shareholders at the Bank, had served as a director at the Bank until February 7, 2019. In addition, Mr. Yuli Ofer, OBM, Ms. Liora Ofer's father, had 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, OBM, the father of David Wertheim and Drorit Wertheim, who are among the Bank's controlling shareholders, and who was himself among the controlling shareholders at the Bank, had served as a director at the Bank until September 15<sup>th</sup>, 2014. Therefore, the Insurance Policy, which applies to the Officers who are periodically serving (or will be appointed in the future), or who have served as Officers, shall also apply to Messrs. Idan Ofer, Yuli Ofer OBM, Moshe Wertheim OBM, as well as Mme. Liora Ofer, due to their service as directors, as aforesaid. It is hereby clarified that the Insurance Policy shall also apply to controlling shareholders at the Bank or their relatives who will be appointed as Officers in the future (insofar as they may be appointed), even if their names are not specified above.

In addition, the Insurance Policy shall also apply to the Bank's Chief Executive Officer. In this regard, the Remuneration Committee and the Board of Directors have confirmed that the conditions established in Regulations 1a1 and 1b.(a)(5) of the Relief Regulations have been fulfilled by the Insurance Resolution; i.e., the Insurance Policy will apply with identical conditions to all Officers, including the Bank's Chief Executive Officer, the Bank's controlling shareholders and their relatives and whomsoever that a controlling shareholder at the Bank holds personal interest in the insurance of his liability; and likewise that the Engagement in the Insurance Policy is per market conditions and will not materially affect the Bank's profitability, its property or its undertakings.

- 2.3 The Bank will approach the Bank's subsidiaries and propose, subject to the Insurance Resolution's approval by the general meeting, that they participate in the Insurance Policy and bear their share of 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 sum of the premium.

### 3. **The reasoning of the Remuneration Committee and the Board of Directors**

- 3.1 The Bank's Engagement in the policy to insure Officers' liability, as aforesaid, is in line with the Remuneration Policy of Bank Officers, except in the matter of the premium sum, which is higher than the premium sum determined in the Remuneration Policy (as detailed in section 5.5.2c. of the Remuneration Policy and in section 2.1.3 above); said Engagement can contribute to the Officers fulfilling their roles appropriately, to the Bank's benefit, and the advancement of its goals in the long term while taking into account the risks involved therein.
- 3.2 The Insurance Policy shall apply with identical conditions to all directors and other officers, without prioritizing the Bank's Chief Executive Officer, the Bank's controlling shareholders or their relatives or whomsoever that a controlling shareholder at the Bank holds personal interest in the insurance of his liability.
- 3.3 Engagement in a policy to insure Officers' liability is common at public companies, including Israeli banks.

- 3.4 The insurance sums of USD 140 million per single event and USD 280 million, in the aggregate, for the entire Insurance Period, which are identical to the insurance sums determined in the Current Insurance Policy (which ends on March 31, 2020), were determined in view of the risk involved in the activity of the Officers at the Bank, while taking into consideration the Bank's size and areas of operation and those of its subsidiaries and their scope, as well as the Bank's status as a banking corporation and a public company.
- 3.5 The insurance sums of USD 140 million per single event and USD 280 million, in the aggregate, for the entire Insurance Period, are deemed reasonable considering the current market data regarding this type of insurance, and compared to the insurance sums acquired by other Israeli banks.
- 3.6 Although the premium sum to be paid for the Insurance Policy and for the Insurance Period (approx. USD 2.17 million for a period of 12 months) has increased substantially compared to the premium sum paid for the Current Insurance Policy, for the insurance period ending on March 31, 2020 (approx. USD 685,000, for a period of 18 months); however, it is the opinion of the Remuneration Committee and the Board of Directors that the premium sum for the Insurance Policy is reasonable, as also arises from the opinion of the Bank's professional insurance advisor (which was submitted to the Remuneration Committee and the Board of Directors), given the state of the officer liability insurance market in the world in general; and especially so considering, *inter alia*, the substantial increase of premium sums for officer liability insurance policies, and another increase in the premium sums of Israeli financial bodies; and also considering the insurance experience in Israel in general, and in the banking system in particular, and their impact on the current market data on officer liability insurance in Israel; all, in view of the importance that the Remuneration Committee and the Board of Directors attribute to maintaining the insurance sums established in the Current Insurance Policy and its conditions, with attention, *inter alia*, to the Bank's needs, its size and the scope of its activity.
- 3.7 With regard to the Bank's Chief Internal Auditor, the Remuneration Committee and the Board of Directors have adopted the recommendation of the Audit Committee, according to which the Insurance Policy shall also apply to whomsoever serves periodically (including whomsoever will be appointed in the future) or has served as the Bank's Chief Internal Auditor; and that applying the Insurance Policy with respect to the Bank's Chief Internal Auditor shall not affect his professional discretion.
- 3.8 The following conditions were fulfilled with respect to the Engagement in the policy to insure the liability of Officers, as detailed above:
- 3.8.1 The Engagement is per market conditions;
- 3.8.2 The Engagement is not to materially affect the Bank's profitability, its property or its undertakings;
- 3.8.3 The Engagement does not include "distribution" by its standard, nature and conditions;

- 3.8.4 There is no reasonable concern that said Engagement would prevent the Bank from fulfilling its current and anticipated obligations, when the time comes to fulfill these;
- 3.8.5 The Engagement is in favor of the Bank and the advancement of its goals in the long term.

**Mizrahi Tefahot Bank Ltd**

**Via:**

Racheli Friedman, Adv.

Maya Feller

**Chief Legal Advisor**

**Bank Secretary**