

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

To <u>Israel Securities Authority</u>	To <u>Tel Aviv Stock Exchange Ltd</u>	T136 (Public)	Date of transmission: September 24, 2020
www.isa.gov.il	www.tase.co.il		Ref: 2020-01-096061

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: __

1. A report is hereby filed on the approval of a transaction in accordance with Regulation *1B1* of the Companies Regulations (Relief for Transactions with Interested Parties), 5760-2000.
2. Date of the transaction's approval by the Board of Directors: *September 24, 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

Report24092020_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.

- _____
5. Attached file _____

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

	Signatory's Name	Position
1	<i>Racheli Friedman, Adv.</i>	<i>Other</i> <i>Chief Legal Advisor</i>
2	<i>Ofer Horvitz</i>	<i>Other</i> <i>Bank Secretary and head of</i> <i>the Bank's Headquarters</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 report is filed in accordance with Regulations 1a1, 1b(a)(5) and 1b1 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 attached file 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**

Securities of a Corporation Listed for Trading Form structure revision date: August 4, 2020
on the Tel Aviv Stock Exchange
Abbreviated Name: Mizrahi Tefahot
Address: 7 Jabotinsky Street, Ramat Gan, Tel:03-7559720 Fax:03-7559923
52520
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: Position: Name of Employing Company:
Horvitz Ofer Bank Secretary Mizrahi Tefahot Bank Ltd
Address: 7 Jabotinsky Street, Ramat Gan, Tel: Fax: E-mail:
52520 03-7559207 03-7559913 management@umtb.co.il

September 24, 2020

Mizrahi Tefahot Bank Ltd
(the “Bank”)

Re: The Addition of Union Bank of Israel Ltd and its Subsidiaries to the (Current) Policy to Insure the Liability of the Directors and the Other Officers at the Bank and the Bank’s Subsidiaries

On September 24, 2020, after receiving the approval of the Remuneration Committee, the Board of Directors approved the addition of Union Bank of Israel Ltd and its subsidiaries (hereinafter, jointly: “**Union Bank**”) to the (current) policy to insure the liability of the directors and the other officers of the Bank and the Bank’s subsidiaries, including the Bank’s Chief Executive Officer, as well as the Bank’s controlling shareholders and their relatives, as detailed below in this report:

1. Background

1.1 The remuneration policy for officers at the Bank, 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 the directors and the other 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). This mention constitutes inclusion by way of reference to the information included in this regard in section 5.5 of the Remuneration Policy.

1.2 On March 25, 2020, the general meeting of the Bank approved the Bank’s engagement in the policy (hereinafter: the “**Current Insurance Policy**” or the “**Policy**”) to insure the liability of the officers, who serve periodically, including the Bank’s Chief Executive Officer, as well as the Bank’s controlling shareholders and their relatives, all as detailed in the immediate report published by the Bank on February 19, 2020 (reference no. 2020-01-017409). This mention constitutes inclusion by way of reference to the information included in this regard in said immediate report from February 19, 2020.

On March 31, 2021, the insurance period of the Current Insurance Policy, which began on April 1, 2020, will come to an end.

2. Principles of the engagement

2.1 2.1.1 In accordance with Regulations 1a1, 1b(a)(5) and 1b1 of the Companies Regulations (Relief for Transactions with Interested Parties), 5760-2000 (hereinafter: the “**Relief Regulations**”), on September 24, 2020, having received the approval of the Remuneration Committee, the Board of Directors approved the addition of Union Bank to the Bank’s Current Insurance Policy, beginning on the date at which Union

Bank will become a subsidiary fully owned by the Bank (with the completion of the purchase offer to buy the shares of Union Bank¹) and until the end of the insurance period of the Current Insurance Policy, i.e. from September 30, 2020 and until March 31, 2021 (hereinafter: “**Remainder of the Insurance Period**”).

Accordingly, the Current Insurance Policy shall also include the insurance of the liability of Union Bank officers, within the boundaries of the insurer’s responsibility (Clal Insurance Company Ltd) under the Current Insurance Policy, without expanding these (i.e. USD 140 million per single event and USD 280 million, in the aggregate, for the entire insurance period, in addition to insurance coverage for reasonable legal expenses at up to 20% of the insurance amount).

2.1.2 The addition of Union Bank, as aforesaid, shall be in exchange for the payment of an additional premium sum, in the total amount of approx. USD 220,000 *per annum*, i.e. approx. USD 110,000 for the Remainder of Insurance Period (hereinafter: “**Additional Premium Sum**”). Union Bank will bear the full cost of the Additional Premium Sum.

2.1.3 It is hereby clarified that except for the aforesaid, no change is made to the Current Insurance Policy.

(Hereinafter: the “**Updated Insurance Policy**”)

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, 2014. Therefore (similarly to the Current Insurance Policy), the Updated Insurance Policy, which applies to the officers who periodically serve (or will be appointed in the future), or who have served as officers, shall also apply under the same terms 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 Updated 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.

Moreover, the Updated Insurance Policy shall also apply to the Bank’s Chief Executive Officer.

¹ In this regard, see the immediate report published by the Bank on September 23, 2020 (reference no. 2020-01-095263).

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

Below is the essence of the reasoning of the Board of Directors and the Remuneration Committee for the approval of the engagement to add Union Bank to the Current Insurance Policy, as aforesaid:

3.1 In light of the completion of the purchase offer and Union Bank's transformation into a subsidiary fully owned by the Bank, Union Bank's addition to the Current Insurance Policy, as detailed above, would contribute to Union Bank's officers fulfilling their duties properly, to the benefit of Union Bank and the promotion of its goals from a long-term view, given the risks involved in its operation.

3.2 It arises from the opinion of the Bank's professional insurance advisor (as submitted to the Board of Directors and the Remuneration Committee) that the chances of purchasing a separate officers' liability insurance policy by Union Bank are very low; this, *inter alia*, in view of Union Bank's current policy becoming a run-off type of policy (with the completion of the purchase offer and Union Bank's transformation into a subsidiary fully owned by the Bank) and the additional exposure that would be created by the existence of a separate policy to insure the liability of Union Bank's officers. Moreover, it appears that the insurance sum in the Bank's Current Insurance Policy is higher than the insurance sum that Union Bank could obtain under a separate policy (insofar as it may be able to purchase such policy, if at all); and in any case, there is uncertainty concerning this sum.

The above stems, *inter alia*, from the state of the officer insurance market in Israel, including the fact of the substantial increase in the premium sums of officers' liability insurance policies for Israeli financial institutions in general, and banks in particular. Moreover, under such circumstances, it is reasonable to assume that the premium which Union Bank will be required to pay for a separate policy (insofar as it may be able to purchase such policy, if at all) would be very high; whereas the Additional Premium Sum in exchange for Union Bank's addition to the Bank's Current Insurance Policy is not high, in relative terms (with regard to the alternative of Union Bank buying a separate policy).

For a complete picture, it is noted that although the addition of Union Bank to the Bank's Current Insurance Policy does increase the risk during the Remainder of the Insurance Period (until March 31, 2021), but on the other hand, the full amount of the insurance is established in the Bank's Current Insurance Policy – a fact that blunts the increased risk, as stated above.

3.3 The following conditions were fulfilled with respect to the engagement regarding the addition of Union Bank to the Bank's Current Insurance Policy, as detailed above:

3.3.1 The conditions established in Regulations 1a1, 1b(a)(5) and 1b1 of the Relief Regulations were fulfilled; except for the payment of the Additional Premium Sum, which is not in accordance with the remuneration policy, as specified below in Section 4;

- 3.3.2 Without derogating from the generality of the aforesaid in Section 3.3.1, the engagement is per market conditions and is not to materially affect the Bank's profitability, its property or its undertakings;
- 3.3.3 The Engagement does not include "distribution" by its standard, nature and conditions;
- 3.3.4 There is no reasonable concern that said Engagement would prevent the Bank from fulfilling its current and anticipated obligations, when the time comes to fulfil these;
- 3.3.5 The Engagement is in favor of the Bank and the advancement of its goals in the long term; this, in light of Union Bank's transformation into a subsidiary fully owned by the Bank, and its addition to the Bank's Current Insurance Policy, similar to other subsidiaries' participation in the Current Insurance Policy (who bear their relative share of the premium).
4. It should be noted that the payment of the Additional Premium Sum, which Union Bank shall bear (as aforesaid in Section 2.1.2) is not in accordance with the remuneration policy. It is further noted that it is the Bank's intention, pending the approvals of the Board of Directors and the Remuneration Committee, to bring a remuneration policy update proposal for the approval of the Bank's general meeting, according to which Sections 5.5.2c and 5.5.2d of the remuneration policy, regarding the limitations on premium sums and deductible sums, will be struck out, all in accordance with the position of the Israel Securities Authority's staff in this matter². It arises from the (aforementioned) position of the Securities Authority's staff that the engagement regarding the addition of Union Bank to the Bank's Current Insurance Policy, as aforesaid, shall be in effect until the update of the remuneration policy is approved, as aforesaid, at the upcoming general meeting to be convened by the Bank (and thereafter, insofar as the approval of the general meeting will be received) or until the approval of the engagement regarding the addition of Union Bank to the Bank's Current Insurance Policy, as aforesaid, at said general meeting.

Mizrahi Tefahot Bank Ltd

Via:

Racheli Friedman, Adv.
Chief Legal Advisor

Ofer Horvitz
**Secretary and head of the
Bank's Headquarters**

² See Section 11 and Footnote no. 12 of Legal Position 101-21, titled "Remuneration Policy", which was published by the Israel Securities Authority (per its recent update in August 2020).