

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

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<b>To</b>	<b><u>Israel Securities Authority</u></b>	<b>To</b>	<b><u>Tel Aviv Stock Exchange Ltd</u></b>	T121 (Public)	Date of transmission: May 24, 2022
	<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: 2022-01-063424

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**Immediate Report**

**Explanation: This form may not be used if an appropriate form exists for the reported event.**

*Issue results must be reported under T20 and not under this form.*

*Bond rating or corporation rating reports must be submitted through Form T125.*

**Nature of the Event: Confirmation of an Issuance of Option Warrants to the CEO of the Bank and Additional Managers for 2022, According to the Outline from July 26, 2021**

The reference numbers of previous documents on the subject: 2021-01-122745

*See attached file*

Attached file *issuance2022\_isa.pdf*

The company *is not* a shell company, as defined in the TASE Rules and Regulations.

Date on which the corporation first learned of the event: *May 24, 2022 at 12:15.*

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

	<b>Signatory's Name</b>	<b>Position</b>
<b>1</b>	<i>Ms. Racheli Friedman</i>	<i>Other Chief Legal Advisor</i>
<b>2</b>	<i>Mr. Ofer Horwitz</i>	<i>Other Bank Secretary &amp; Head of 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](#)**

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

Previous name of the reporting entity: **United Mizrahi Bank Ltd**

Name of the person reporting electronically:  
**Horwitz Ofer**

Position:  
**Bank Secretary**

Name of Employing  
Company: **Mizrahi Tefahot  
Bank Ltd**

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

**T 121**

Re: **Approval for the Issue of Option Warrants to Employees for 2022, in Accordance with the Option Plans Included in the Outline Published by the Bank on July 26, 2021**

1. **Background**

On July 26, 2021, the Bank approved plans to issue option warrants to the CEO of the Bank, to employees of the Bank and to employees of the Bank’s subsidiaries (the “**Option Plans**”), in accordance with the outline of an offer to employees published by the Bank on July 26, 2021 (reference no. 2021-01-122745), according to Article 15b(1)(a) of the Securities Law 5728-1968 (the “**Outline**”). Per the Outline, pools of option warrants intended for the allotment of option warrants in accordance with each of the Option Plans were approved, for each of the years from 2021 to 2023 (inclusive), as detailed in Section 2.1.1 of the Outline (the “**Pools**”). The decision on July 26, 2021 established that only the option warrants that were to be granted for 2021, per the Option Plans, would be issued first, according to the Outline (the “**First Lot**”); and that in addition to the issue of the option warrants included in the First Lot, the Bank would be entitled to issue two additional option warrant lots, according to the Outline, for 2022 and 2023, per the Option Plans in the Outline.

Further to the above, on September 5, 2021, the Bank issued the First Lot of the option warrants, for the year 2021, to the CEO of the Bank, to other Bank officers (who are not directors), and to additional managers at the Bank and the Bank’s subsidiaries, as detailed in the immediate report published by the Bank on September 5, 2021 (reference no. 2021-01-144429).

2. **Approval of the Issue of Option Warrants to Employees For 2022, Per the Option Plans Included in the Outline**

2.1 2.1.1 Further to the Outline and further to the issue of the First Lot of option warrants under the Outline, as aforesaid, the Bank hereby announces that on May 24, 2022, having received the approval of the Remuneration Committee on May 17, 2022, the Bank’s Board of Directors approved the offer and the issue of an additional lot for 2022, to be granted per the Outline (the “**Second Lot**”), to the CEO of the Bank, to other Bank officers (who are not directors), and to additional managers at the Bank and the Bank’s subsidiaries, as detailed below.

It is hereby clarified that the instructions and provisions established in the Outline shall apply to the option warrants included in the Second Lot, including the provisions of the Option Plans specified in the Outline.

- 2.1.2 The Remuneration Committee and the Board of Directors were presented, *inter alia*, with the documents and information specified in Section 3.12.2 of the Outline, with the necessary changes.
- 2.1.3 Said resolution was made unanimously by all directors who had participated in the Remuneration Committee's meeting on May 17, 2022; and in the Board of Directors' meeting on May 24, 2022.
- The Remuneration Committee's meeting on May 17, 2022 was participated by the following members of the Remuneration Committee: Ms. Hannah Feur (O.D.), Mr. Gilad Rabinovich (O.D.), Mr. Joseph Fellus (O.D.) and Ms. Estery Giloz-Ran (O.D.).
- The Board of Directors' meeting on May 24, 2022 was participated by the following directors: Mr. Moshe Vidman (Chairman), Mr. Gilad Rabinovich (O.D.), Ms. Hannah Feur (O.D.), Mr. Joseph Fellus (O.D.), Mr. Ron Gazit, Mr. Avraham Zeldman, Mr. Jonathan Kaplan, Mr. Ilan Kremer, Mr. Eli Alroy and Ms. Estery Giloz-Ran (O.D.).
- 2.1.4 The terms specified in this report shall bear the meaning determined for them in Section 1.1.2 of the Outline, unless explicitly stated otherwise; the mention of Section 1.1.2 of the Outline constitutes an inclusion by way of reference to the contents of Section 1.1.2 of the Outline.

2.2 **The Quantity of Option Warrants to be Included in the Second Lot of the Option Warrants**

- 2.2.1 Up to 38,409 1' Option Warrants shall be granted under Options Plan 1' to the Bank's Chief Executive Officer;
- 2.2.2 Up to 271,080 A Option Warrants shall be granted under Options Plan A to up to 7 officers at the Bank who are not gatekeepers;
- 2.2.3 Up to 155,168 B Option Warrants shall be granted under Options Plan B to up to 5 officers at the Bank who are gatekeepers;
- 2.2.4 Up to 550,100 C Option Warrants shall be granted under Options Plan C to up to 34 principal employees at the Bank and at the Bank's subsidiaries;
- 2.2.5 Up to 852,750 D Option Warrants shall be granted under Options Plan D to up to 59 Bank managers who are employed under personal contracts, as well as up to 30 additional managers at the Bank and at the Bank's subsidiaries, who have been approved to be included in this group for the purposes of the Outline;
- 2.2.6 Up to 1,556,200 E Option Warrants shall be granted under Options Plan E to up to 268 Bank managers who are employed under collective agreements, as well as up to 21 managers at the Bank's subsidiaries who were approved to be included in this group for the purposes of this outline

The issue of the option warrants to be included in the Second Lot is subject to the Tel Aviv Stock Exchange Ltd's approval of listing for trade the ordinary shares that will derive from the exercise of the option warrants to be included in the Second Lot, according to each of the Option Plans.

### 2.3 **The Exercise Price**

2.3.1 The exercise price for each of the option warrants to be included in the Second Lot is ILS 118.10 (subject to adjustments, as detailed in Section 2.20 of the Outline), plus index linkage differences from the index known on the date on which the Board of Directors approved the issue of the Second Lot of option warrants (as aforesaid in Section 2.1.1), and up to the index known on the exercise date of an option warrant included in the Second Lot, according to each of the Option Plans.

2.3.2 The exercise price of an option warrant, as aforesaid in Section 2.3.1, was determined as stated in Section 2.9.3 of the Outline, according to the average of the closing rate of an ordinary share of the Bank on the TASE, during the thirty (30) trading days prior to the date on which the Board of Directors approved the issue of the Second Lot of option warrants (as aforesaid in Section 2.1.1).

It is hereby clarified that the exercise price is subject to adjustments, as detailed in Section 2.20 of the Outline.

### 2.4 **The closing rate of the Bank's ordinary share on the TASE, on the trading day prior to the date on which the Board of Directors approved the issue of the Second Lot of option warrants**

The closing rate of the Bank's ordinary share on the TASE on May 23, 2022 was ILS 111.50

### 2.5 **The Closing Rate Cap**

2.5.1 As detailed in the Outline, the issue of the full quantity of exercise shares is merely theoretical, since in practice, the full quantity of exercise shares derived from the option warrants which the offerees are entitled to exercise shall not be issued to the offerees, pursuant to the terms of any of the plans, but only shares at a quantity reflecting the financial benefit sum incorporated in said option warrants, considering the closing rate cap, as provided in Section 2.21 of the Outline.

2.5.2 In this regard, it was established in Section 2.21.2a(2) of the Outline that the "closing rate cap" with respect to the option warrants to be included in the Second Lot of option warrants shall be a sum which will be determined by the Remuneration Committee and the Board of Directors during the approval of the Second Lot's issuance for 2022, provided that it does not exceed ILS 200, plus index linkage differences, from the index known on the date of the Board

of Directors' approval of the Second Lot's issue and until the index known on the exercise date.

Accordingly, the Remuneration Committee and the Board of Directors determined that the "closing rate cap" with respect to the option warrants to be included in the Second Lot of option warrants shall be at the sum of ILS 163.00, plus linkage differences, as aforesaid.

It is hereby clarified that in accordance with Section 2.21.2 (*finis*), the sum of the "closing rate cap" shall be adjusted per the adjustments to the exercise price, as stated in Section 2.20 of the Outline, with the required changes as applicable.

## 2.6 **Dilution Figures**

- 2.6.1 Assuming issue and full exercise of all option warrants included in the Second Lot, as aforesaid in Section 2.2, and assuming that the offerees shall not be issued the full quantity of the exercise shares deriving from the option warrants, but only shares at a quantity reflecting the financial benefit sum incorporated in the option warrants included in the Second Lot, which shall be calculated in accordance with the "closing rate cap" determined for the Second Lot, as aforesaid in Section 2.5.2, the exercisable shares shall constitute approx. 0.37% of the Bank's issued capital and of the voting rights therein (immediately after the issue); and assuming full dilution, approx.. 0.36% of the Bank's issued capital and the voting rights therein. In this matter, "**full dilution**" – shall assume the exercise of all option warrants that are not listed for trade on the TASE, which were allotted for employees of the Bank (including officers) and its subsidiaries (which have not yet been exercised or have not yet expired), according to their terms, taking into account the financial benefit sum incorporated therein, which shall be calculated according to the closing rate cap determined for them (if and insofar as it was determined).
- 2.6.2 In the matter of the dilution rates specified in Section 2.6.1 above, it is hereby clarified that the quantity of option warrants which an offeree shall be entitled to exercise *de facto* according to the Outline's provisions shall be derived from the fulfilment of the prerequisites and the measures and provisions detailed in Chapter 2 of the Outline. Therefore, this quantity may be lower than the maximum quantity of option warrants that will be issued under the Outline and included in the Second Lot.
- 2.6.3 The dilution rate, as aforesaid in Section 2.6.1, was calculated based on the "Status of the Corporation's Capital and Securities Registration and the Changes Therein" report published by the Bank on May 10, 2022 (reference no. 2022-01-056353)

## 2.7 The Fair Value of the Option Warrants

2.7.1 The Bank is implementing ASC 718, "Share-Based Payment". In accordance with the provisions of said standard, the Bank's financial reports must state an expense by reason of issue of the option warrants pursuant to the Option Plans. The provisions of the standard cover, *inter alia*, the recording of expenses in respect of the grant of Option Warrants in the Bank's financial reports, in accordance with their fair value on the date of the Option Warrants' grant for accounting purposes pursuant to the provisions of the standard.

2.7.2 Below are the fair value figures of all option warrants included in the Second Lot (which were calculated based on the figures known on the date of the Board of Directors' approval of the issue of the option warrants included in the Second Lot); This calculation is based on an economic opinion prepared by an external consultant and the assumptions specified therein:

- a. The fair value of a (single) 1' option warrant, as of the date of the Board of Directors' approval of the issue of the option warrants included in the Second Lot, is approx. ILS 13.33;
- b. The fair value of a (single) A through E option warrant, as of the date of the Board of Directors' approval of the issue of the option warrants included in the Second Lot, is as follows:
  - (1) A option warrant– approx. ILS 13.28.
  - (2) B option warrant– approx. ILS 13.34.
  - (3) C option warrant– approx. ILS 13.09.
  - (4) D or E option warrant– approx. ILS 13.68.

It should be noted that in accordance with the terms of the 1' Option Warrants, the rate of the CEO's entitlement to exercise said option warrants shall be determined at the discretion of the Remuneration Committee and the Board of Directors, according to their evaluation of his performance (as stated in Section 2.12.1 of the Outline); and likewise, that in accordance with the terms of Option Warrants A through E, the rate of an offeree's entitlement to exercise said option warrants shall be determined according to the various terms of entitlement and exercise established in their regard; accordingly, the quantity of option warrants which an offeree may be entitled to exercise under the terms established in the Outline may be lower than the total quantity of option warrants to be granted to him or her under the Outline.

2.7.3 According to the accounting principles, the quantity of option warrants the offerees will be entitled to exercise, as stated above in the Outline, will be re-

examined on each report date, over the option warrants' vesting period, based on the information that exists at that time. The results of this review may lead to a change in the amount of expenditure which will be recorded in the Bank's financial reports due to the option warrants, but not to a change in the fair value of any single option warrant.

3. After the issue of the option warrants included in the Second Lot, per the Outline, the Bank shall report it, as required by law.

**May 24, 2022**

Date

**Via:**

**Mizrahi Tefahot Bank Ltd**

\_\_\_\_\_  
**Racheli Friedman**  
**Chief Legal Advisor**

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**Ofer Horwitz**  
**Bank Secretary & Head of**  
**the Bank's Headquarters**