



Strategic Plan

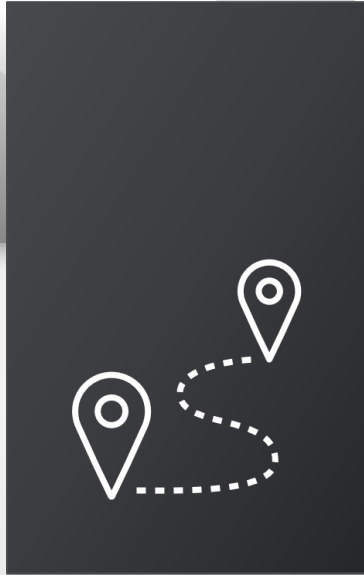
2021-2025

April 2021

General Comments regarding Legal Responsibility

This document constitutes an English translation of a presentation, originally drafted and published in Hebrew. For legal purposes, it is clarified herein that while every effort was made to provide accurate information, this translation bears no legal status and the Bank shall not be held liable as to its accuracy and/or its contents. The original Hebrew text shall be regarded as the sole official text and readers are advised to consult it in all matters.

- This presentation was prepared by Mizrahi Tefahot Bank Ltd (the “Bank”), in connection with the Bank’s new strategic plan for the years 2021-2025, as published today by the Bank (the “New Strategic Plan” and the “Presentation”, respectively).
- The information included in the Presentation is not exhaustive and does not include full information on the Bank and its operations or the risk factors involved in its activity, and does not substitute the information included in the annual, quarterly or immediate reports published by the Bank. For a full description of all that regards the Bank and its operations, as well as the risk factors which the Bank’s activity involves, kindly peruse the reports released to the public by the Bank, including the financial reports and immediate reports it has published.
- The information included in the Presentation is based, inter alia, on the information which was known to the Bank’s management at the time of the Presentation’s preparation, including public data and publications, which were not independently examined by the Bank’s management and for which the Bank is not responsible.
- The information included in the Presentation does not constitute an advice, a recommendation, an opinion or a proposal regarding an investment in any securities whatsoever.
- The New Strategic Plan is considered a plan which establishes the Bank’s targets for its duration, and it is not to be considered a forecast, an assessment or an evaluation in the matter of achieving said targets, and as such, by its very nature, the New Strategic Plan might not be realized.
- It is hereby clarified that the information and data in the Presentation which relate to some future date are considered targets and objectives which the Bank has set for itself within the New Strategic Plan, and as such, they might not be realized.
- The Board of Directors will monitor the implementation of the New Strategic Plan and may amend it, from time to time, as required, including as a result of changes to factors which might affect it.
- Without derogating from the generality of the above, insofar as the Presentation may include forward-looking information, as defined in the Securities Law, 5728-1968, this information is based on assumptions, facts and data (collectively: the “Assumptions”) as detailed in the New Strategic Plan, which might not be realized due to factors which are beyond the sole control of the Bank, consequently causing the New Strategic Plan to not be realized (in this matter, see slide 29 of the Presentation).
- To remove doubt, it is clarified that the Bank does not undertake to update the information included in the Presentation.
- The Presentation does not constitute an offer for the purchase or sale of the Bank’s securities, or an invitation to receive such offers.

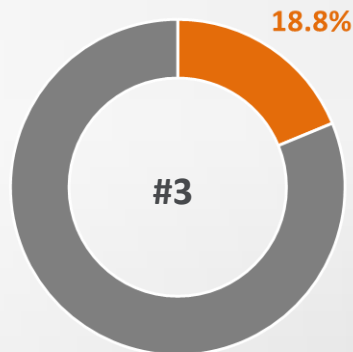


The starting Point

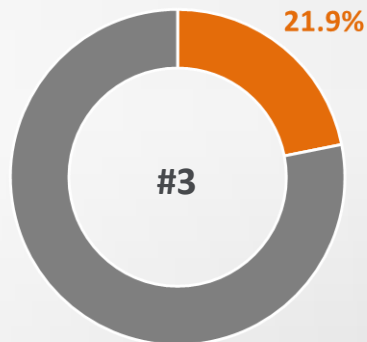


As of 31.12.2020

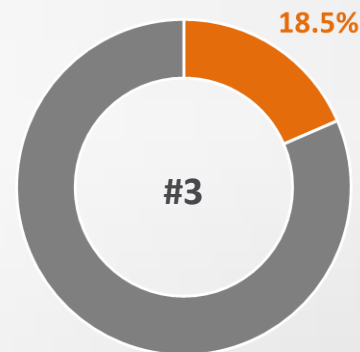
Total Assets



Credit to the Public

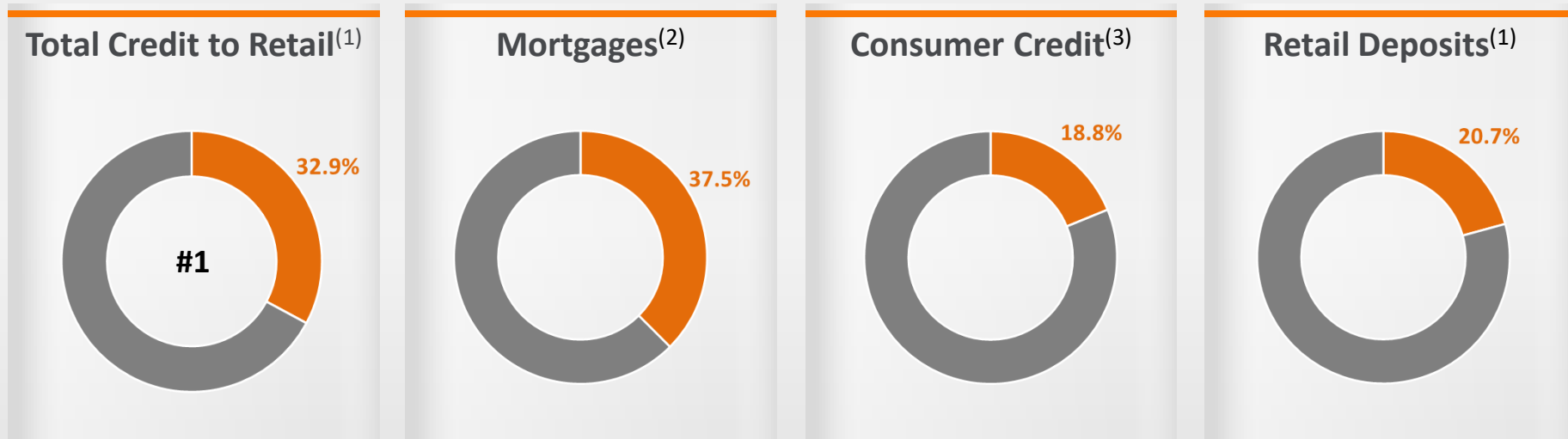


Deposits from the Public

**UMTB is the third largest bank in Israel**



As of 31.12.2020



UMTB is the largest retail bank in Israel.
There is potential for expansion in consumer credit.

Source: Financial reports of the five banking groups, note on supervisory operating segments

(1) Households segment and private banking segment

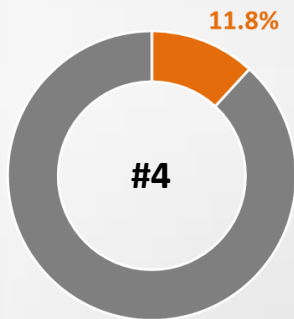
(2) Housing loans in the households segment and private banking segment

(3) Households segment and private banking segment, excluding housing loans

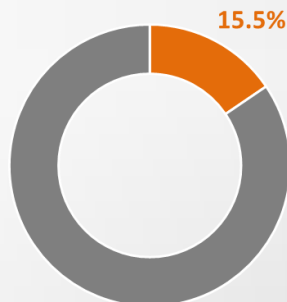


As of 31.12.2020

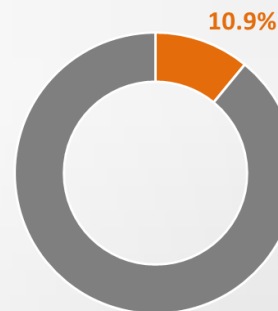
Total Credit to Businesses



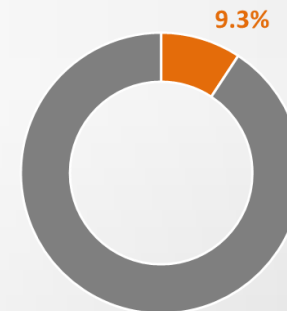
Credit to Small Businesses



Credit to Medium Businesses



Credit to Large Businesses and Institutional Investors

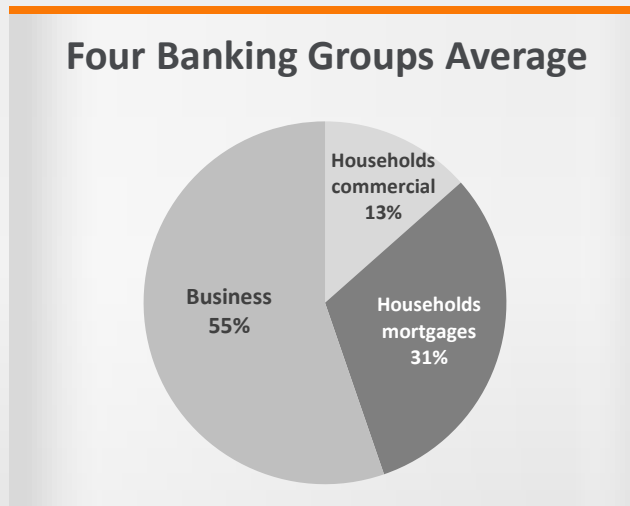
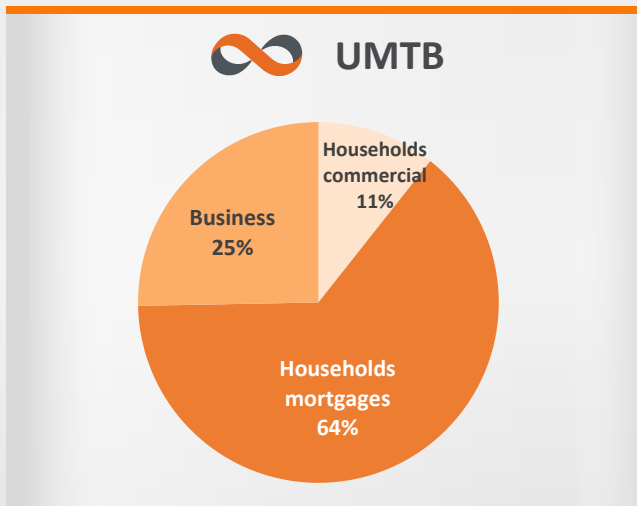


In recent years, UMTB increased its market share in the business segments. There is growth potential in all segments, particularly in credit to large and medium businesses.

Credit to the public in Israel - Portfolio Composition⁽¹⁾



As of 31.12.2020



UMTB has a unique credit composition, tilted towards households and carries a low risk profile, which enables expansion of the business portfolio.

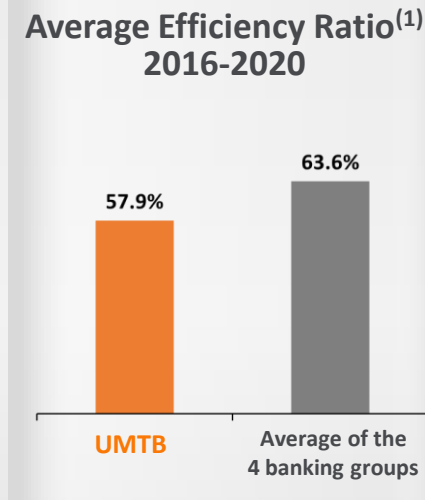
Source: Financial reports of the five banking groups, note on supervisory operating segments

1) According to supervisory operating segments in Israel:

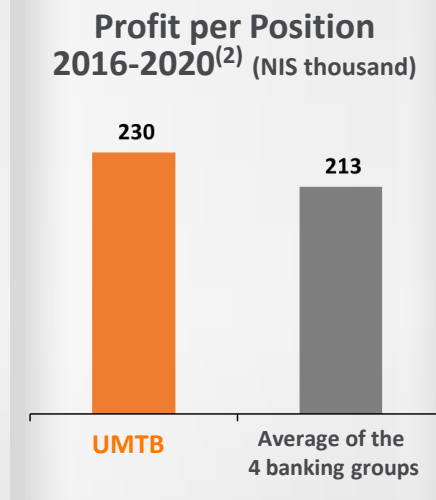
Households commercial – households segment and private banking segment, excluding housing loans

Households mortgages - Housing loans

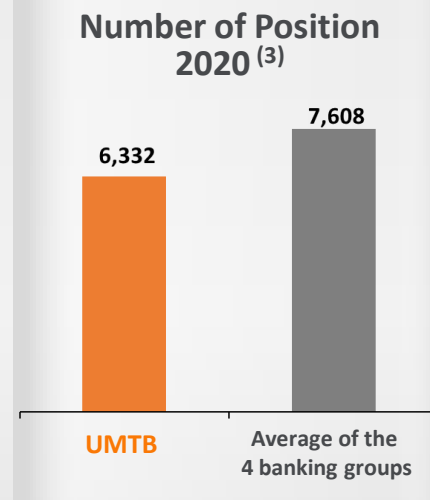
Businesses - Small business, medium business, large business and institution investors segments



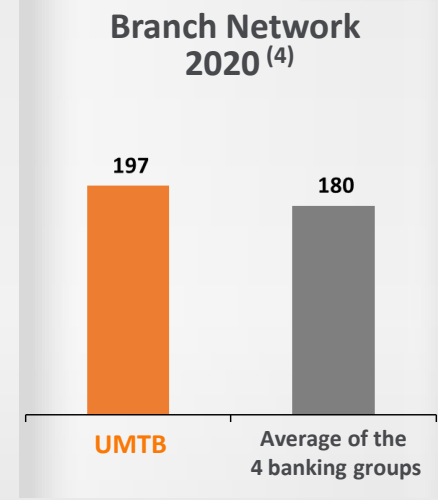
On average, over time, UMTB achieves the best efficiency ratio in the Israeli banking system⁽⁴⁾



UMTB presents a high profit per position compared to the average of peers



The number of employees at UMTB is low compared to the banking system average



UMTB has reached a high number of branches compared to peers. A widespread branch network serves UMTB's human service strategy

Source: Financial reports of the five banking groups for the years 2016-2020

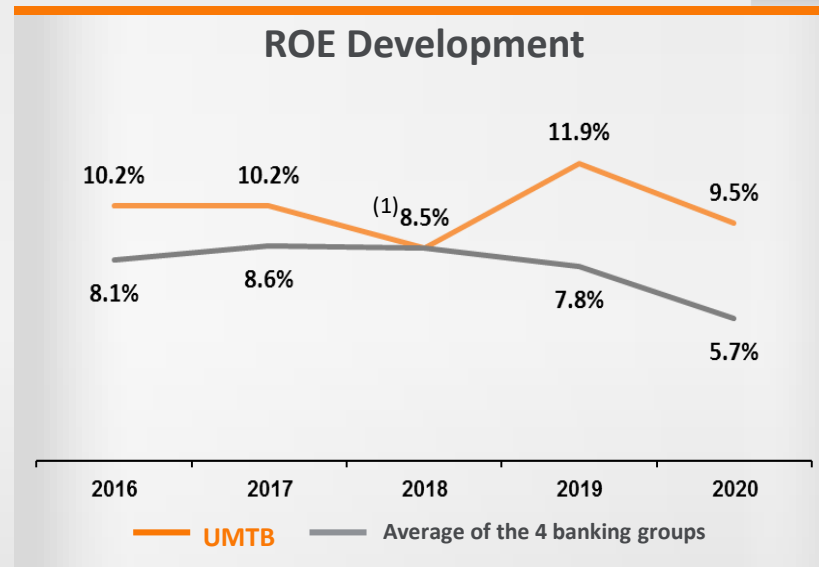
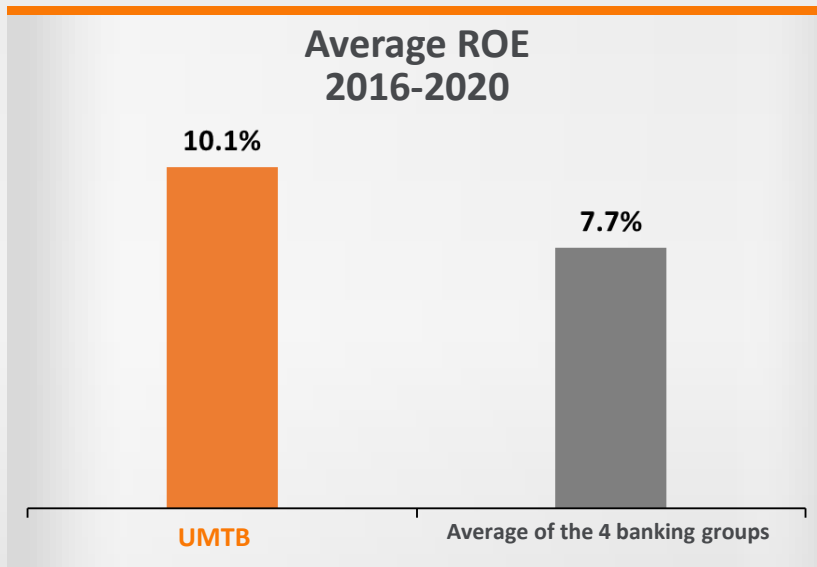
(1) Total operating and other expenses to total operating and financing revenues before expenses with respect to credit losses

(2) The average net profit during the period relative to the average total positions during the period

(3) Average number of positions in 2020

(4) Number of branches in Israel as of December 31, 2020. UMTB presented excluding Union

(5) The average efficiency ratio in the four competing banking groups in the years 2016-2020: Leumi - 59.6%, Poalim - 63.3%, First International - 67.3%, Discount - 68.2%



Over time, on average, UMTB achieves the best ROE in the Israeli banking system⁽²⁾

Source: Financial reports of the five banking groups

1) UMTB's net ROE in 2018 was affected by a provision due to the US Department of Justice investigation. Excluding this effect, and taking into account provisions for bonuses in line with the level of profitability from current operations, and the tax expenses derived from these, the ROE in 2018 was 11.6%.

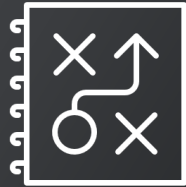
2) The average ROE in 2016-2020 at the four competing banking groups: FIBI - 9.0%; Leumi - 8.8%; Discount - 7.7%; Poalim - 6.4%



Along recent years, UMTB set ambitious goals and met them.

Now is the time for a new challenging plan, which will allow the Bank to optimally withstand the changes in the banking system and the business environment.

This plan aims to continue the Bank's success, through accelerated organic and inorganic growth simultaneously, while strengthening the technological and operational infrastructure and cultivating the organizational culture in the Bank.



The New Strategic Plan

The New Strategic Plan Pillars



Positioning UMTB as a major player in Business Banking

Establishing the group's leadership among households through organic growth in all segments

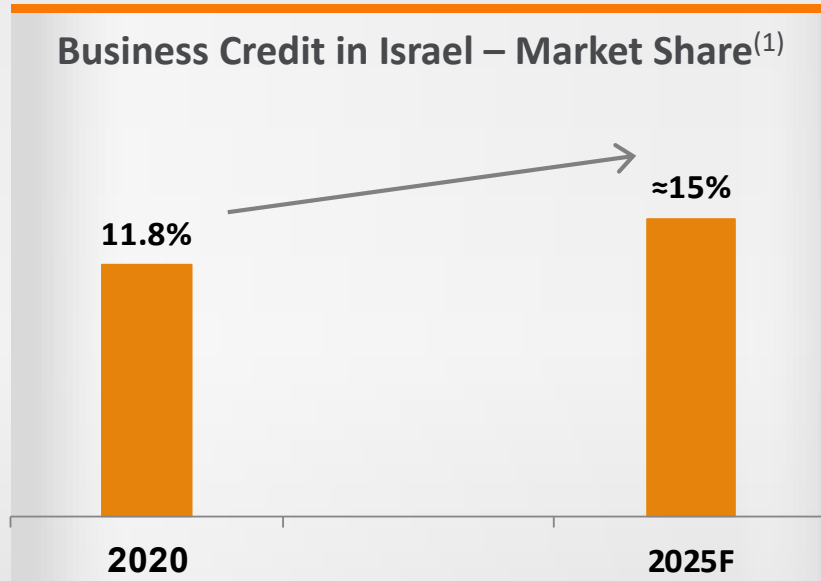
Personal, human banking supported by advanced digital technology

Adjusting the operational model to the challenges of future banking and improving operational efficiency

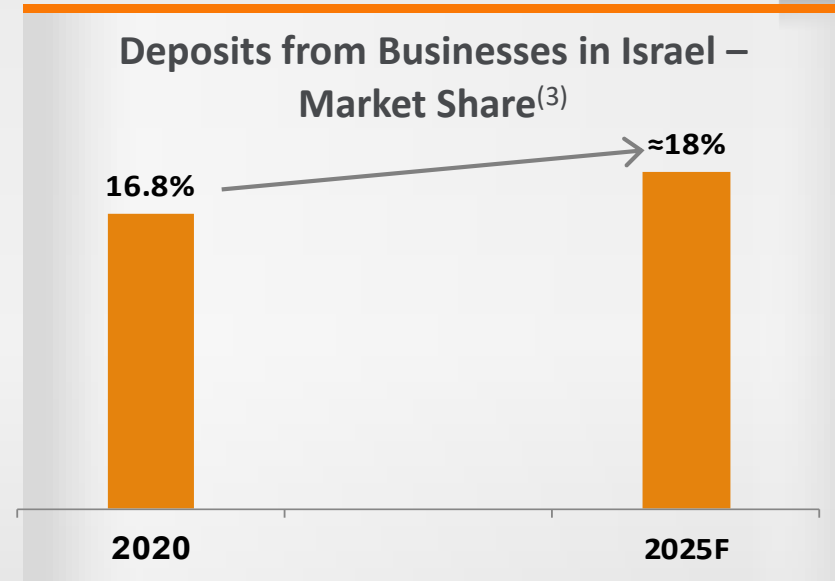
Leveraging of the merger with Union Bank to create Operational and Business synergy

Positioning UMTB as a Major Player in Business Banking - targets and supporting steps





The strategic plan aims towards achieving a market share of approx. 15% in business credit in Israel⁽²⁾



The strategic plan aims towards achieving a market share of approx. 18% in business deposits in Israel⁽⁴⁾

Source: Financial reports of the five banking groups, note on supervisory operating segments

(1) Including the following segments: Small businesses, medium businesses, large businesses and institutional investors.

(2) Assuming an average annual growth rate of business credit in Israel: UMTB - approx. 8%; the five banking groups - approx. 3%

(3) Including the following segments: Small businesses, medium businesses, large businesses.

(4) Assuming an average annual growth rate of businesses deposits in Israel: UMTB - approx. 5%; the five banking groups - approx. 3%

Continue to Lead in Retail Banking

targets and supporting steps



Maintaining UMTB's leading position in the **mortgage market** through innovation of products and processes

Leveraging UMTB's strength in the **mortgage market** to increase synergy with commercial activities

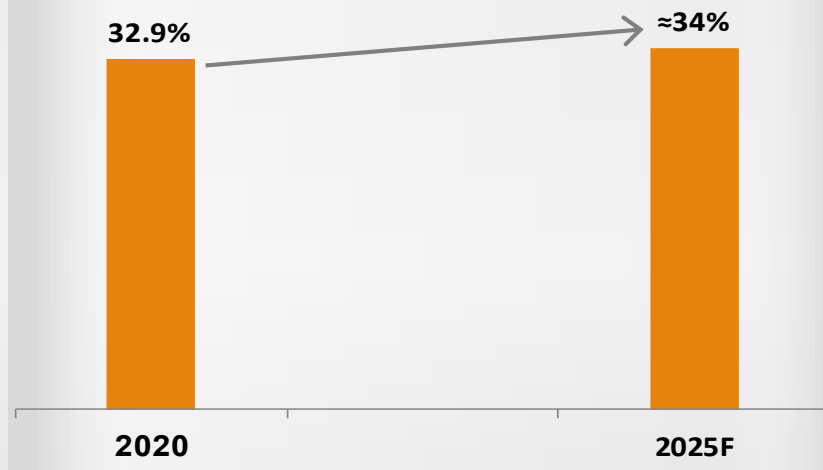
Leveraging **Yahav Bank's** unique position to further increase of the household segment market share

Retail segmentation:
Increasing activities among target segments

Establishing a **unique Consumer Credit Products Desk**

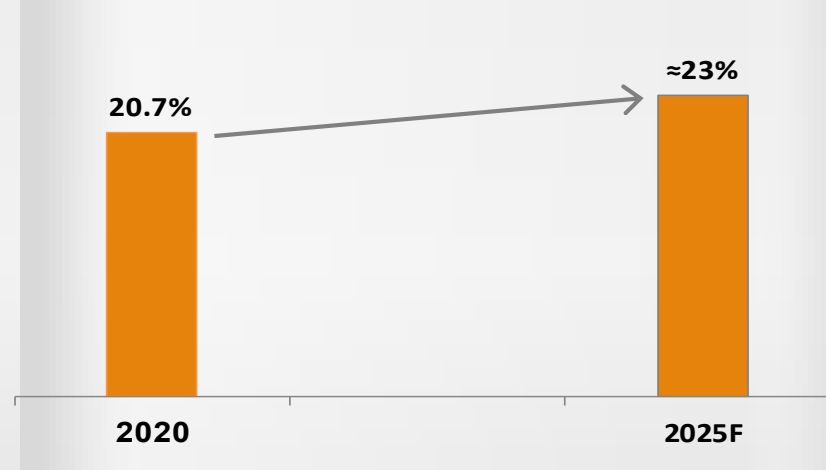


Credit to retail in Israel - Market Share⁽¹⁾



The strategic plan aims towards achieving a market share of approx. 34% in Credit to retail in Israel ⁽²⁾

Retail deposits in Israel - Market Share⁽³⁾



The strategic plan aims towards achieving a market share of approx. 23% in retail deposits in Israel ⁽⁴⁾

Source: Financial reports of the five banking groups, note on supervisory operating segments

(1) The households segment and private banking segment

(2) Assuming an average annual growth rate of the credit to retail in Israel: UMTB - approx. 6%; the five banking groups - approx. 5%

(3) The households segment and private banking segment

(4) Assuming an average annual growth rate of retail deposits in Israel: UMTB - approx. 6%; the five banking groups - approx. 4%

Personal, human banking supported by advanced digital technology -

targets and supporting steps



a multi-channel approach which maintains **service continuity** and optimally combines between human and digital channels

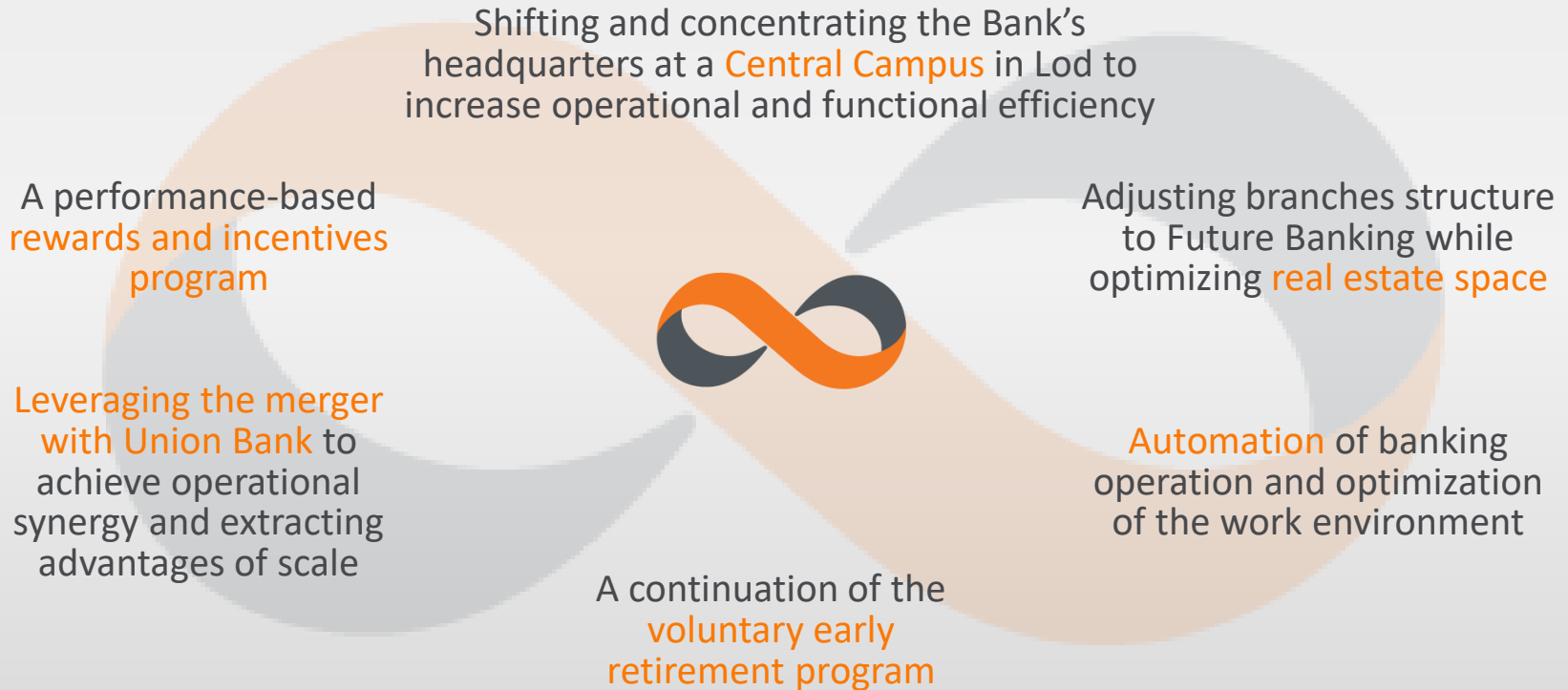
A unique and different service experience: human service by a banker, **available also Digitally**, according to the client's choice and needs

**Make
Progress
and stay
human**

Simplifying and optimizing banking processes through **digitalization** of the client's interface

Personal value propositions in all channels adjusted for **specific clients needs**

Adjusting the Operational Model to the Challenges of Future Banking and Improving Operational Efficiency - targets and supporting steps



Leveraging Union Bank Merger to Create Operational and Business Synergy



Operational Synergy steps

- Branch merger and unification of headquarter functions at the two banks
- Optimization of human resources
- Completing the IT agreement period with Bank Leumi and a transition to UMTB's IT systems

Operational Synergy targets

Branch network Synergy Rate:
75% - 80%

Operating Expenses Synergy Rate:
60% - 70%



Climbing to Success Together

Increasing ROE as a result of utilizing business and operational synergies

A step up in market shares of business and retail banking

Upgrading the group's competitiveness power

Spreading business risk along a more diversified credit portfolio



The New Strategic Plan Targets



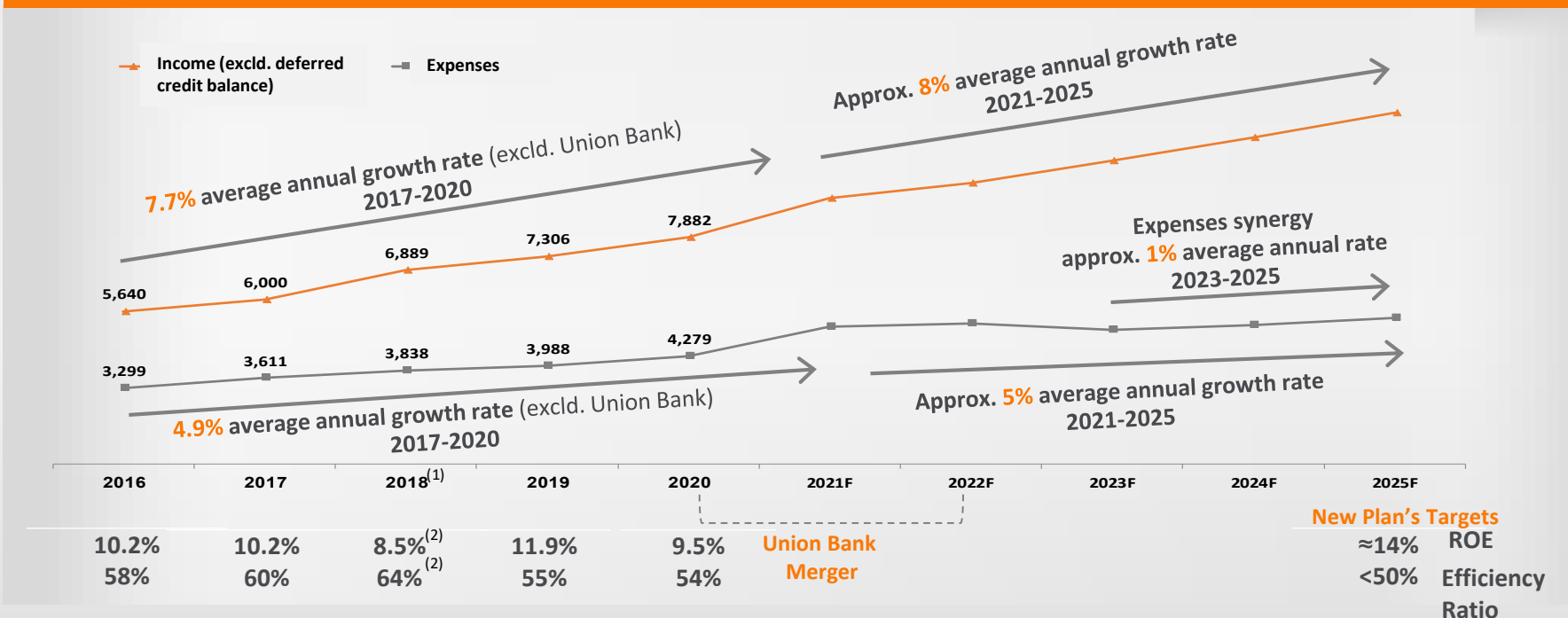
- **Market share growth** in the various segments of activity
- Continuous improvement of **operational efficiency** while maintaining **capital efficiency**
- Consistent **growth** in the group's **profitability**
- A **stable**, double-digit **ROE**, **increasing** over time
- Increasing **dividend** to investors



Profitability and Return on Equity Targets

(NIS Million)

2021-2025



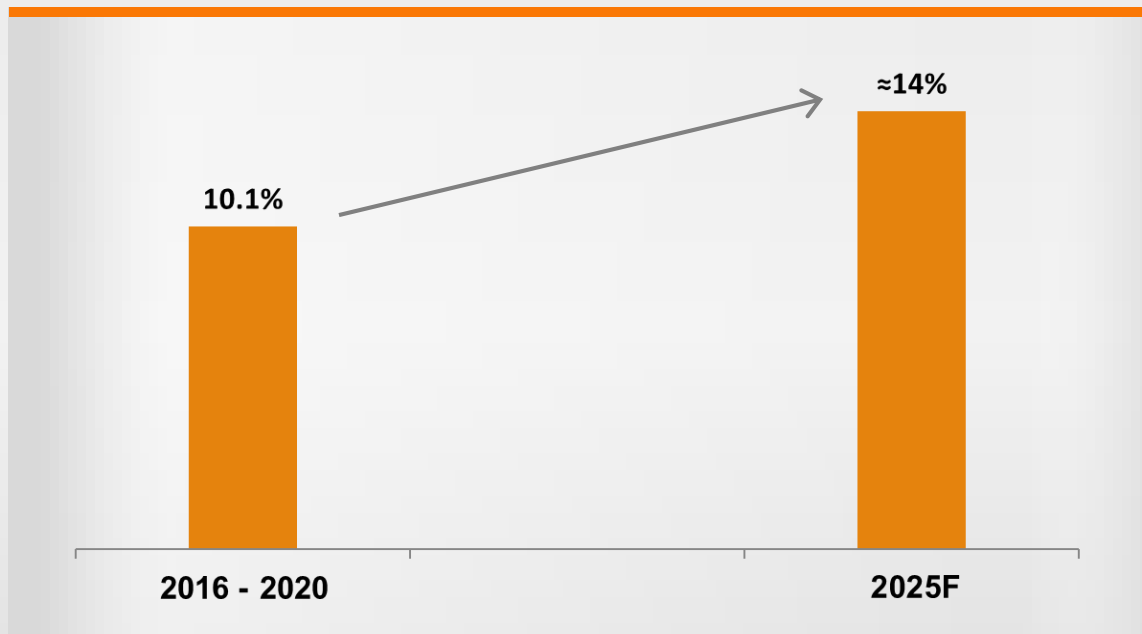
The Bank's growth engines and the merger with Union Bank are aimed towards increasing the Bank's income at an average annual rate of approx. 8% (nonlinear), alongside control over the expenses increase at an average annual rate of approx. 5% (nonlinear)

(1) Operating expenses excluding the effect of the US Department of Justice investigation.

(2)UMTB's net ROE in 2018 was affected by a provision due to the US Department of Justice investigation. Excluding this effect, and taking into account provisions for bonuses in line with the level of profitability from current operations, and the tax expenses derived from these, the ROE in 2018 was 11.6% and the efficiency ratio was 57.2%.



Return on Equity Target

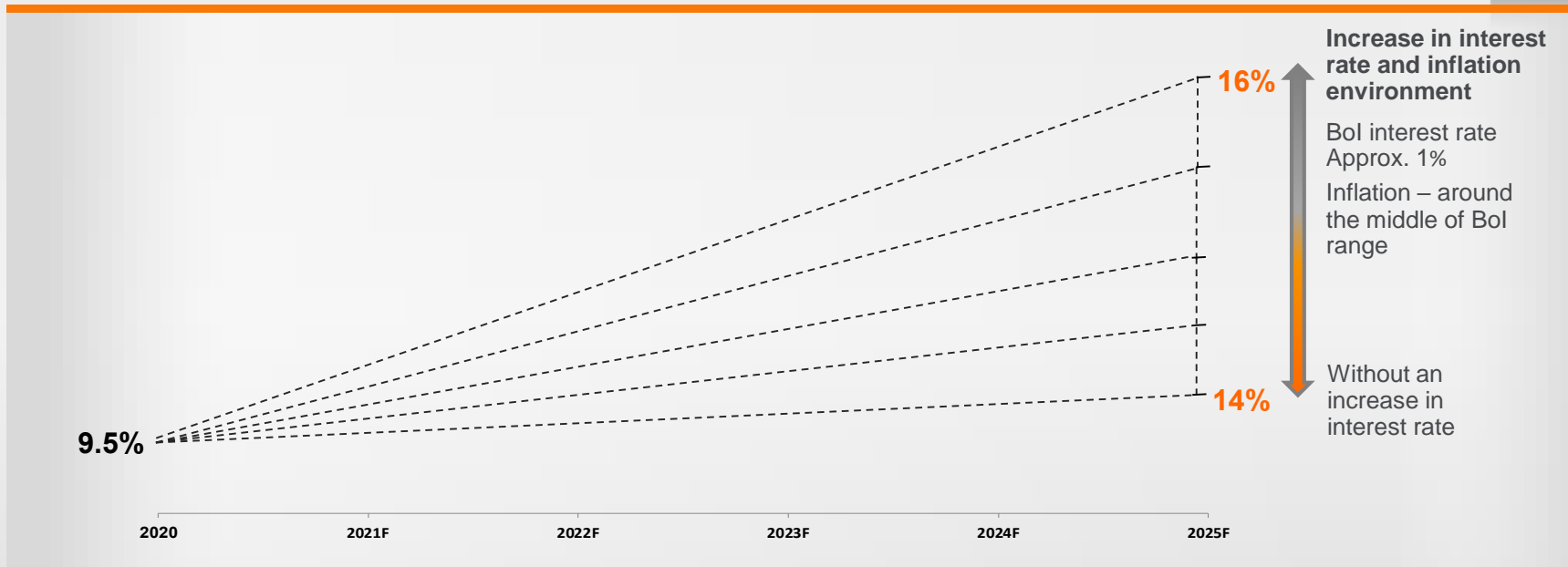


The strategic plan aims towards achieving ROE of up to 14% throughout the plan's years, even under the assumption that the Bank of Israel's interest rate remains between 0% and 0.1%



ROE Development - Possible Effect of an Increase in Interest Rate and Inflation Environment

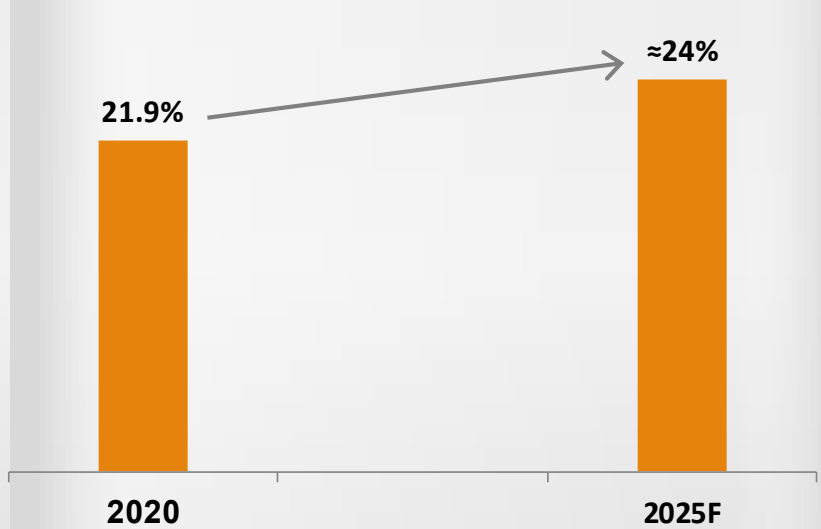
2021-2025



The strategic plan assumptions with respect to the anticipated levels of inflation and the Bank of Israel's interest rate are conservative. If these parameters increase compared to their current level, ROE may rise above 14%

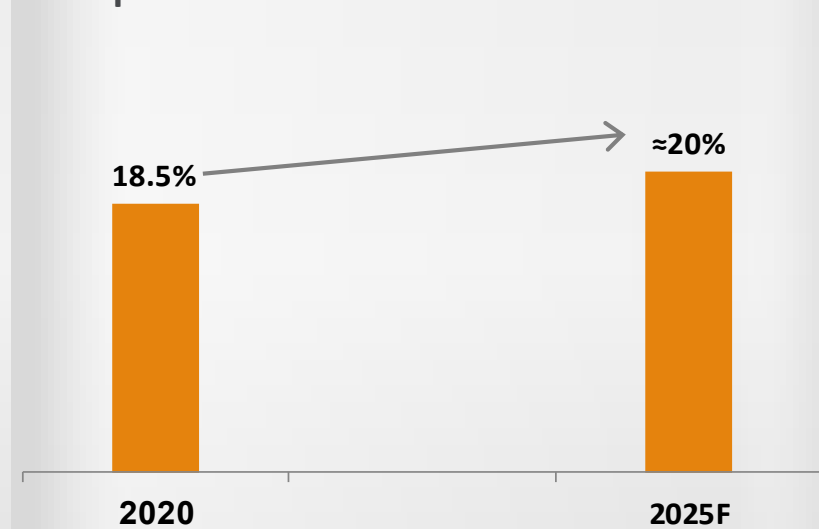


Credit to the Public – Market Share



The strategic plan aims towards achieving a market share of approx. 24% in credit to the public⁽¹⁾

Deposits from the Public – Market Share



The strategic plan aims towards achieving a market share of approx. 20% in deposits from the public⁽²⁾

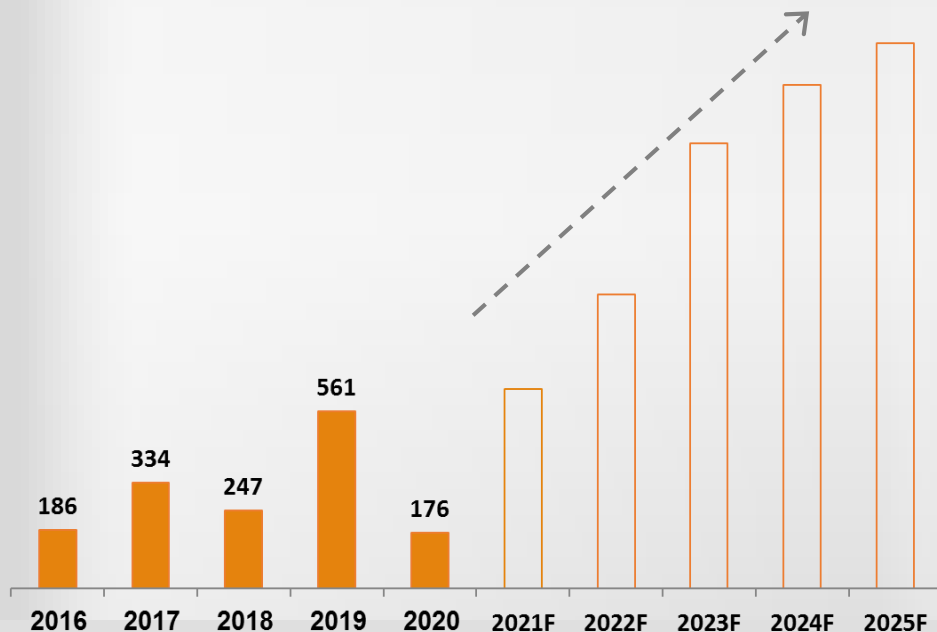
Source: Financial reports of the five banking groups

(1) Assuming an average annual growth rate of the credit to the public : UMTB - approx. 6%, the five banking groups - approx. 4%

(2) Assuming an average annual growth rate of the deposits from the public : UMTB - approx. 5%, the five banking groups - approx. 4%



Dividend distributed from 2016 onwards (NIS million)



- Following the Corona Crisis and according to the instructions of Proper Conduct of Banking Business Directive no. 250 (the “Temporary Directive”), in April 2020, the Bank’s Board of Directors decided to abstain from dividend distributions, for as long as the Temporary Directive remains in effect.
- Accordingly, after the expiration of the Temporary Directive, the Bank plans to continue acting in accordance with the existing policy of distributing dividend at a rate of up to 40% of the net profit attributed to shareholders
- UMTB’s Board of Directors will monitor the execution of the New Strategic Plan, in order to examine the possibility of changing the Bank’s current dividend policy – **increasing the dividend** that will be distributed out of the net profit attributed to the shareholders to **a rate of up to 50%** with the completion of the merger with Union Bank, subject to the approval of the Supervisor of Banks
- As part of the dividend policy, and as a distribution measure, the Bank will also examine a **share buyback program**

(1) The dividend policy is subject to the Bank's compliance with the ratio of tier 1 capital to risk weighted assets, as required by the Supervisor of Banks' directives, and maintaining proper safety buffers.

(2) According to the updated Temporary Directive, it is in effect until September 30, 2021.

(3) "Distribution" under the dividend policy (both dividend distribution and share buyback) are subject to the instructions of the law, including the Supervisor of Banks' directives.



Growth

Due to accelerated growth in banking activities, the target is to increase UMTB's market shares:

Credit to the public: **Approx. 24%**

Deposits from the public: **Approx. 20%**

Profitability

Due to the growth in activities, the target is to achieve **An increasing double-digit ROE of up to 14% throughout the plan's duration**, even under the assumption that the Bank of Israel's interest rate remains between 0% and 0.1%

Efficiency

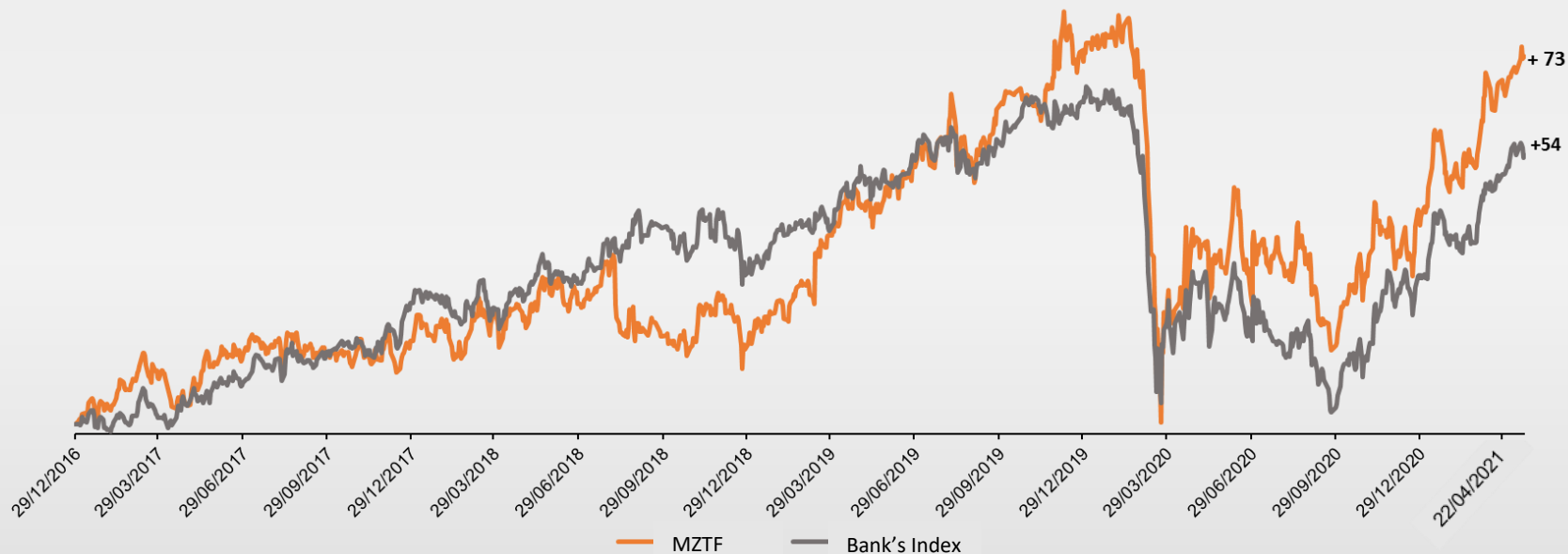
Due to a high level of operational efficiency and the expected advantages of scale following the merger with Union Bank, the goal is to achieve an **efficiency ratio below 50%** in 2025

Increase Dividend⁽¹⁾

The Board of Directors will monitor the execution of the New Strategic Plan, in order to examine the possibility of **increasing** the dividend that will be distributed out of net profit attributed to shareholders **to a rate of up to 50%** with the completion of the merger with Union Bank, subject to the approval of the Supervisor of Banks



UMTB's stock (MZTF) Vs. the Banks' Index, 100 basis = end of 2016



**The better performance of UMTB reflects investors' trust:
UMTB's stock presents excess performance over the Banks Index over time**

Risk Factors that are Not Under the Group's Control and May Influence the Group's Growth Path



Risk Factors	The Assumption	The Risk
Regulatory risks	<ul style="list-style-type: none"> Changes in legislation including regulatory orders that will change the business environment in Israel are not expected 	<ul style="list-style-type: none"> Consumer regulation in the household sector and small businesses sector could effect the scope of the Bank's activities Banking regulation which would make capital adequacy and risk asset requirements stricter could hurt the Bank's capital planning and profitability growth
Geo political /pandemic risks	<ul style="list-style-type: none"> Geo political situation is not expected to change in a way that will harm the business environment An increase in the number of vaccine recipients will successfully eradicate the pandemic on a global and local scale 	<ul style="list-style-type: none"> Deterioration of the geo – political situation may result in a local recession The isolation of Israel may damage the business environment Repeated waves of illness throughout the world and in Israel could cause limitations on movement and economic activity
Monetary conditions in Israel	<ul style="list-style-type: none"> The interest rate in Israel will remain in its current level Inflation annual rate of up to 1.0% 	<ul style="list-style-type: none"> Zero, or negative, interest and inflation level may harm the Bank's revenues
Real activity in Israel	<ul style="list-style-type: none"> Stable economic environment – domestic average annual growth in the coming years of 3% 	<ul style="list-style-type: none"> A moderation of the global real activity growth rate, inter alia due to the extended impact of the Corona Crisis, may cause low demand for local exports and hurt private consumption in Israel As a result of the global economic situation, the Israeli market may get into a recession, and this in turn will influence the business environment

Exogenous changes which are outside the Bank's control may affect the group's growth path



Thank you