

This document constitutes an English translation of the report, originally drafted and published in Hebrew. For legal purposes, it is clarified herein that whilst 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 authentic Hebrew text shall be regarded as the sole official text and readers are advised to consult it in all matters.

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>	T053 (Public)	Date of transmission: November 22, 2016
	www.isa.gov.il		www.tase.co.il		Ref: 2016-01-080628

Immediate Report of an Event or Matter which Deviates from the Corporation's Ordinary Course of Business

Regulation 36(a) of the Securities Regulations (Immediate and Periodic Reports), 5730-1970.

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: Strategic Plan 2017-2021

1. strategic_plan_21112016_isa.pdf
2. ☐ The company is a shell company, as defined in the TASE Rules and Regulations.
3. Date and time on which the corporation first learned of the event:
☉ November 21, 2016 at 18:30.

The above report was signed by Mr. Moshe Lari, Manager of the Financial Division and CFO; and Mr. Nissan Levi, Deputy CEO and Manager of the Planning, Operations and Customer Asset Division.

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

Securities of a Corporation Listed for Trading
on the Tel Aviv Stock Exchange
Abbreviated Name: Mizrahi Tefahot
Address: 7 Jabotinsky Street
Ramat Gan, 52520, Israel
E-mail: mangment@umtb.co.il

Form structure revision date: October 31, 2016

Tel: 03-7559207 Fax: 03-7559913
03-7559720

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

Name of the person reporting electronically: Feller Maya Position: Bank Secretary Name of
Employing Company:
Address: 7 Jabotinsky Street, Ramat Gan, 52520, Israel Tel: 03-7559720 Fax: 03-7559923 E-
mail: mangment@umtb.co.il

November 22, 2016

To

To

Israel Securities Authority

Tel Aviv Stock Exchange Ltd

Dear Sir or Madam,

Re: New Strategic Plan for the Years 2017-2021

Mizrahi Tefahot Bank Ltd (hereinafter: "**Bank**") hereby announces the following:

1. On July 23, 2012, the Board of Directors approved a five-year strategic plan for the years 2013-2017; and on December 23, 2014, the Board of Directors decided to update this strategic plan¹;
2. Pursuant to this, in light of the Bank's achievements and the changes in the macro-economic environment which characterizes the Israeli market, on November 21, 2016, the Board of Directors approved a new five-year strategic plan for the years 2017-2021 (hereinafter: "**New Strategic Plan**"), which is aimed at achieving the following targets:
 - 2.1 To present return on average equity on the net profit attributed to shareholders of approx. 11.5% in 2021 and double digit ROE throughout the New Strategic Plan's years; these rates are based on the ratio of tier 1 capital to risk weighted assets of the Bank, at the minimal rate set by the Supervisor of Banks, including proper safety buffers;
 - 2.2 The continuation of organic growth in the Bank's core activities, at a rate higher than the growth of the Israeli banking system², in order to increase the Bank's market shares in the Israeli banking system.

The Bank's growth engines are aimed at increasing the Bank's profitability, *inter alia* as a result of 8% average annual growth in income (albeit non-linear) while control of the average annual expenses growth rate at up to 6% (also non-linear);

¹ Under this update, the Board of Directors established, *inter alia*, that the target for return on average equity of the net profit attributed to shareholders would be approximately 13% in 2017; this through several growth engines and based on basic assumptions, as detailed in the previous strategic plan, as updated. In this matter, it should be noted that under the aforesaid strategic plan, it was assumed, *inter alia*, that the Israeli market's interest environment and inflation environment would rise very moderately, so that inflation would be at the lower part of the government's target range and the interest rate would gradually correlate with this inflation rate. In practice, the Israeli market's interest environment and inflation environment had both declined (in this matter, see the immediate report published by the Bank on July 23, 2012, reference no. 2012-01-191649; the immediate report published by the Bank on December 24, 2014, reference no. 2014-01-229338; and the presentation included in another immediate report published by the Bank on December 24, 2014, reference no. 2014-01-229341).

² Among the five banking groups.

- 2.3 Maintaining high operational efficiency: achieving an efficiency ratio (the ratio between total expenses and total income) of below 60% throughout the plan years, and aiming at below 55% in 2021.
3. The Bank is basing the New Strategic Plan on the following goals:
 - 3.1 Amplifying the focus and expanding activities of credit to the public and deposits from the public of the business segments, based on supportive measures as follows:
 - 3.1.1 Based on the branch network, its ongoing expansion and increase in the number of business bankers, while leveraging the experience, knowledge and expertise gained by the Bank in recent years;
 - 3.1.2 Developing marketing plans and designated IT modules;
 - 3.1.3 Cooperation with institutional investors and leverage of business funds.
 - 3.2 Maintain and establish of the Bank's position as leader in the retail sector, based on efforts in the following fields:
 - 3.2.1 Maintaining leadership in the mortgage market, leveraging it to expand banking activity;
 - 3.2.2 Focusing on quality clients, specifically on targeted segments such as the Arab sector, the Ultra-Orthodox sector, and third age;
 - 3.2.3 Continue to strengthen the synergy with Yahav Bank, for a dual strategy orientation: service-oriented and price-oriented;
 - 3.2.4 Providing personal, human services supported by advanced technology and an improvement in clients' banking service experience.
 - 3.3 Becoming a significant administrator of financial assets in the banking system, based on the efforts to expand use of infrastructure to utilize the group's abilities to extend services to other entities in the financial system, such as operating provident funds, mutual funds, trusts, computer services etc.
 - 3.4 Maintaining excellent operational efficiency, as stated in section 2.3 above, based on efforts in the following subjects:
 - 3.4.1 Cultivating organizational culture supporting efficiency and improvement;
 - 3.4.2 Transfer activities from the branch network to the back office operation, while providing operational solutions "LEAN" based;
 - 3.4.3 Maintaining long-term stable work relations.
4.
 - 4.1 The Bank's Board of Directors approved an updated dividend distribution policy starting 2017, as detailed below:
 - 4.1.1 The Bank's updated dividend policy is to distribute a dividend of 30% of the net profit attributed to the Bank's

shareholders, for the quarterly profit; the Bank has received the approval of the Supervisor of Banks' for the outline of this dividend policy.

The Board of Directors will monitor the implementation of the New Strategic Plan, in order to examine the possibility of increasing the dividend rate mentioned above by another step, as of 2018, subject to receiving the approval of the Supervisor of Banks.

- 4.1.2 The updated dividend policy, as stated in section 4.1.1 above, 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.

4.2 It should be noted that according to the updated dividend distribution policy, as stated in section 4.1 above, the Bank may buyback (subject to the aforesaid in section 4.1.2 above) shares of the Bank, all per the resolutions of the Board of Directors in this matter, as will be made from time to time; It is clarified that the buyback of Bank's shares by the Bank, as stated above, shall be considered "distribution" per its definition in the Companies Law 5759-1999, and as such will respectively decrease the dividend amount that will be distributed (if it is distributed) by the Bank according to the updated dividend distribution policy, per the Board of Directors' resolutions in this matter, as will be made from time to time.

4.3 It is clarified that the "distribution" according to the updated dividend distribution policy (both the dividend distribution and the share buyback) is subject to the instructions of the law and the limitations set by the Supervisor of Banks.

5. The plan detailed above is considered a strategic plan which establishes the Bank's targets for the next five years, and it is not to be considered an outlook, an assessment or an evaluation in the matter of achieving said targets, and as such, by its very nature, the strategic plan might not be realized.
6. Furthermore, and without derogating from the generality of the above, insofar as this plan includes forward-looking information, as defined in the Securities Law, 5728-1968, the information is based on assumptions, facts and data (collectively: "**Assumptions**") brought before the Board of Directors, including: the absence of further changes to legislations and regulatory directives, that could affect the business environment; the absence of developments and changes in the security and political situations, which could change or harm the business environment; the interest rate environment in the Israeli market will remain at its current level, with the annual inflation rate at approx. 0.5%; a stable economic environment – the Israeli economy will grow by an average rate of approx. 2.5% in the coming years. The Assumptions might not be realized due to factors which are not under the Bank's sole control, which may affect the above mentioned issues, consequently causing the New Strategic Plan to not be realized. For further details, see page 38 of

the presentation included in the immediate report which the Bank will publish in this matter, immediately after the release of this report.

It is clarified that 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 in factors which might affect the plan, as stated above.