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The authentic Hebrew text shall be regarded as the sole official text and readers are advised to consult it in all matters.

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MIZRAHI TEFAHOT BANK LTD

No. with the Registrar of Companies: 520000522
Securities of a Corporation Listed for Trading on the Tel Aviv Stock Exchange
Abbreviated Name: Mizrahi Tefahot
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To
Israel Securities Authority
www.isa.gov.il

To
Tel Aviv Stock Exchange Ltd
www.tase.co.il

Immediate Report Regarding Matters which deviate from the Corporation's Ordinary Course of Business

Regulation 36(A) of the Securities Regulations (Periodic and Immediate 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: Update of strategic plan

1. Attached file _____
2. Date on which the corporation first learned of the event: *December 23, 2014 at 18:30.*

The above report was signed by Mr. Nissan Levy, Member of the Board of Management, Head of the Planning, Operations and Client Assets Division and Mr. Moshe Lari, Member of the Board of Management, Head of Finance Division - CFO

The reference numbers of previous documents on the subject (reference does not constitute incorporation by reference): 2012-01-191649

Previous names of reporting entity: United Mizrahi Bank Ltd.

Form structure revision date: December 2, 2014

Name of the person reporting electronically: Maya Feller; Position held: Bank Secretary;
Name of Employing Company: United Mizrahi Bank Ltd.
7 Jabotinsky Street, Ramat Gan, 52520, Israel, Tel: 03-7559720, Fax: 03-7559923
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December 24, 2014

**Immediate Report Regarding Matters which deviate from the Corporation's
Ordinary Course of Business**

Mizrahi Tefahot Bank Ltd. (hereinafter: the "**Bank**") announces as follows:

1. On July 23rd, 2012, the Bank's Board of Directors approved a five-year strategic plan for 2013-2017 (hereinafter: the "**Original Strategic Plan**" or "**Original Plan**"); the Original Strategic Plan set the 2017 target for ROE from net profit from ordinary operations to average equity at 14.5%, based on the 9% core capital target. The Bank was supposed to reach the aforesaid ROE through several growth engines and based on assumptions as detailed in the Original Strategic Plan (in this matter, see the immediate report published by the Bank on July 23rd, 2012, reference no. 2012-01-191649 [hereinafter: "**Previous Immediate Report**"], as well as page 36 of the immediate report published by the Bank on July 23rd, 2012, reference no. 2012-01-191658 [hereinafter: "**Page 36 of the Presentation Report**"]; these mentions constitute incorporation by reference of all information detailed in the Previous Immediate Report and on Page 36 of the Presentation Report).
2. On December 23rd, 2014, the Board of Directors decided to update the Original Strategic Plan and set the 2017 target for ROE from net profit attributed to shareholders to average capital at 13%, in light of changes that occurred with respect to certain assumptions upon which the Original Strategic Plan was based on, as follows:
 - 2.1. The effect of new regulatory directives that were added after the Original Strategic Plan was formed – particularly the directive set forth in Article 14A of the Proper Conduct of Banking Business Directive no. 329 in the matter of housing loans limitations (hereinafter: "**Directive 329**"¹; according to the aforesaid directive, for the purposes of calculating the capital requirement as stated in Proper Conduct of Banking Business directive no. 201 in the matter of Measurement and Capital Adequacy, a banking corporation must increase the tier 1 capital target at a rate expressing 1% of the housing loans balance).

The effective date of the aforesaid requirement is January 1st, 2017; the banking corporations are required to increase the capital target at set quarterly rates beginning on January 1st, 2015 and until January 1st, 2017.

The Board of Directors has instructed the Bank's management to maintain proper capital cushion so that the Bank's tier 1 capital will not be less than the aforesaid target.

¹ Simultaneously, Article 14 of Directive 329 established that the banking corporations may reduce the risk weight for variable-interest leveraged housing loans, as stated in Appendix B of Directive 329, from 100% to 75%; the aforesaid directive's effective date is January 1st, 2015.

Implementation of the aforesaid directives will cause an increase of the average capital base used for the Bank's operations and will lead to a result where a given profit will produce a lower yield, consequently decreased the ROE.

2.2. 2.2.1. The growth of the Israeli economy in 2013 and during the first nine months of 2014 was at an average annual rate of only 2.8%, rather than the approximate 3.5% according to the assumption upon which the Original Strategic Plan was based.

2.2.2. The inflation rate is below the price stability range, while the monetary interest is historically low, which negatively affects the Bank's profitability; this is instead of the inflation rate remaining within the range of the government's target and the interest rate correlating with this level, according to the assumption upon which the Original Strategic Plan was based.

3. In addition, the Bank's Board of Directors decided to approve a dividend distribution policy (hereinafter: "**Updated Dividend Policy**") substituting the dividend distribution policy detailed in Article 1C of the Previous Immediate Report; the Updated Dividend Policy is to distribute, on the basis of quarterly profits for 2015-2016 (starting in the first quarter of 2015) a dividend at a rate of up to 15% of the net profit attributed to shareholders.

The Updated Dividend Policy is subject to the Bank maintaining the proper capital cushion set for this matter, in order that the bank's tier 1 capital ratio will be no less than the target required by the Supervisor of Banks' instructions, which was adopted by the Board of Directors as detailed in Article 2.1 above.

In 2017, the dividend policy will be in accordance to what is stated in Article 1C of the Previous Immediate Report². This is subject to the Bank maintaining its tier 1 capital at no less than the requirements of the Supervisor of Banks' instructions and subject to maintaining a proper capital cushion.

The Bank has received the approval of the Supervisor of Banks to the layout of the aforesaid dividend policy.

It is clarified that the dividend distribution is subject to the instructions of the law and the limitations set forth by the Supervisor of Banks.

4. The updated strategic plan is considered as determining the Bank's targets, as aforesaid, and it is not a forecast, an estimate or an evaluation for purposes of meeting the said targets, and as such, according to its nature, the strategic plan may not be realized.

² In the matter of Article 1C of the Previous Immediate Report, "net profit from ordinary operations to average equity" shall mean the profit that will be reported in the Bank's Consolidated Profit and Loss Report for the year ending on December 31st, 2017, as it appears in the line "net profit attributed to shareholders in the banking corporation"; despite the aforesaid, if the Bank publishes in its Consolidated Profit and Loss Report for the Bank for the year 2017 "net profit from ordinary operations attributed to shareholders in the banking corporation", then this profit will be considered net profit from ordinary operations.

In addition, and without derogating from the generality of the aforesaid, insofar as this plan includes "forward-looking information", as defined in the Securities Law, 5728-1968, the information is based on assumption, facts and data ("**Assumptions**") which were presented to the Board of Directors, including: no additional changes in legislation and regulations affecting the business environment; no developments and changes in the security-political situation which affect or harm the business environment; stabilization of the global economy in the coming years, at a 0-1% growth per capita; growth of the Israeli economy in the coming years, at an average annual rate of 2.5-3%; a very moderate increase in the interest environment and inflation environment in the Israeli market, in a manner that inflation will be in the lower part of the government's target range, while the interest rate will gradually correlate with this inflation rate.

The Assumptions might not be realized due to factors that are not solely in the Bank's control, which may affect the above issues and cause the updated strategic plan, as detailed in this report, not to be realized. For additional details, see p. 15 of the presentation included in the immediate report which will be published by the Bank immediately after the publication of this report (hereinafter: "**Presentation Report**").

Aside from the statements of this report and the data included in Presentation Report, no changes will occur in the rest of the Original Strategic Plan's components that were detailed in the Previous Immediate Report.

It is clarified that the Board of Directors will monitor the implementation of the strategic plan and may change it, from time to time, as shall be required, including due to changes in the factors which may affect the plan, as aforesaid.

Respectfully,
Mizrahi Tefahot Bank Ltd

By;
Moshe Lari
Member of the Board of Management
Head of Finance Division – CFO

Nissan Levy
Member of the Board of Management
Head of the Planning, Operations and Client
Assets Division