

Mizrahi Tefahot Bank Ltd.'s Immediate Reports are published in Hebrew on the Israel Securities Authority and the Tel Aviv Stock Exchange websites.

The English version is prepared for convenience purposes only. The only binding version of the Immediate Reports is the Hebrew version.

In the event of any discrepancy or inconsistency between the Hebrew version and the translation to English, the Hebrew version shall prevail and supersede, for all purposes and in all respects.

MIZRAHI TEFAHOT BANK LTD

No. with the Registrar of Companies: 520000522

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|----|------------------------------------|----|------------------------------------|------------------|---|
| To | <u>Israel Securities Authority</u> | To | <u>Tel Aviv Stock Exchange Ltd</u> | T053 (Public) | Date of transmission: April 27, 2021 |
| | www.isa.gov.il | | www.tase.co.il | | Ref: 2021-01-071448 |

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

Regulation 36 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

Report on: **A report whose submission was delayed**

Nature of the Event: *The Bank's new strategic plan for the years 2021-2025*

1. *See attached document.*

Strategic plan 2021-2025 – immediate report isa.pdf

2. Date and time at which the corporation first learned of the event:

☉ April 26, 2021 at 18:00

Report delayed per Regulation 36(b):

3. If the report was delayed, the reason due to which its submission was delayed:

4. On _____ at _____ the report embargo was removed

5. The company is a shell company, as defined in the TASE Rules and Regulations.

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

| | Signatory's Name | Position |
|---|---------------------|---|
| 1 | <i>Adi Shachaf</i> | <i>Other</i> <i>Head of the Finance Division</i> |
| 2 | <i>Ofer Horwitz</i> | <i>Other</i> <i>Bank Secretary & Head of the</i> <i>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):

Securities of a Corporation Listed for Trading on the Tel Aviv Stock Exchange Form structure revision date: April 20, 2021
Abbreviated Name: Mizrahi Tefahot
Address: 7 Jabotinsky Street, Ramat Gan, 52520 Tel:03-7559720 Fax:03-7559923
E-mail: mangment@umtb.co.il Company website: https://www.mizrahi-tefahot.co.il

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
Address: 7 Jabotinsky Street, Ramat Gan, 52520 Tel: 03-7559207 Fax: 03-7559913 E-mail: management@umtb.co.il



April 27, 2021

To
Israel Securities Authority

To
Tel Aviv Stock Exchange Ltd

Dear Sir or Madam,

Re: New Strategic Plan for the Years 2021-2025

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

1. On November 21, 2016, the Board of Directors approved a five-year strategic plan for the years 2017-2021; and on February 26, 2018, the Board of Directors resolved to update the Bank's dividend distribution policy, that was included in the strategic plan¹;
2. Pursuant to the Bank's annual periodic report for 2020², and in light of the Bank's achievements, as well as changes in the banking system and business environment, on April 26, 2021, the Board of Directors approved a new five-year strategic plan for the years 2021-2025 (hereinafter: the "**Plan**" or the "**New Strategic Plan**"), with the following targets:
 - 2.1 Positioning the Bank as a major player in Business Banking, based on the following supporting steps:
 - 2.1.1 Establishing a Real Investment activity as a supplementing suit to accelerate business activities based on an outline which integrates with the Bank's strategy.
 - 2.1.2 Leading large and complex transactions.
 - 2.1.3 Enhancing the focus of the Bank's international branches in London and the U.S., in Business Banking
 - 2.2 Continue the Bank's³ leadership in Retail Banking, based on the following supporting steps:

¹ For details see the immediate report published by the Bank on November 22, 2016, reference no. 2016-01-080628 and the immediate report published by the Bank on February 27, 2018, reference no. 2018-01-015753;

² See page 20 to the periodic report (Board of Directors and Management report to December 31, 2020) published by the Bank on March 9, 2021, reference no. 2021-01-029385;

³ Including Yahav Bank for Government Employees and Union Bank of Israel Ltd;

- 2.2.1 Maintaining the Bank's leading position in the mortgage market through innovation of products and processes and leveraging the Bank's strength in this market to increase synergy with commercial activities.
 - 2.2.2 Retail segmentation: Increasing activities among target segments.
 - 2.2.3 Establishing a unique Consumer Credit Products Desk.
- 2.3 Personal, human banking supported by advanced digital technology, based on the following supporting steps:
- 2.3.1 A multi-channel approach, which maintains service continuity and optimally combines between human and digital channels.
 - 2.3.2 A unique and different service experience: human service by a banker, also available digitally, according to the client's choice and needs.
 - 2.3.3 Personal value propositions in all channels adjusted for specific clients' needs
- 2.4 Adjusting the Operational Model to the Challenges of Future Banking and Improving Operational Efficiency (the ratio between total expenses to total income), based on the following supporting steps:
- 2.4.1 Shifting and concentrating the Bank's headquarters to a Central Campus in Lod.
 - 2.4.2 Adjusting branches' structure to Future Banking while optimizing real estate space.
 - 2.4.3 Automation of banking operation and optimization of the work environment.
- 2.5 Leveraging Union Bank of Israel Ltd. (hereinafter: "**Union Bank**") merger with and into the Bank, to create operational and business synergy, extracting advantages of scale, based on the following supporting steps:
- 2.5.1 Leveraging Union Bank merger as a platform for rapid growth in business segment activities.
 - 2.5.2 Branch merger and unification of headquarter functions within the two banks, optimization of human resources and a transition out of the current IT systems of Union Bank.

2.5.3 Growing the group's market shares, upgrading the group's competitiveness power and diversifying the group's business risk.

3. The New Strategic Plan targets, as detailed above, are aimed to achieve the following goals:
 - 3.1 To present in 2025, an ROE (net profit attributed to shareholders out of the average equity) at a rate of approx. 14%, to produce a stable and increasing double digit ROE throughout the plan period. These rates are based on the ratio of tier 1 capital to risk weighted assets, at the minimum rate required by the Supervisor of Banks, while maintaining proper safety buffers.
 - 3.2 To increase the Bank's market share in the Israeli banking system. The Bank's growth engines and the merger with Union Bank are aimed towards increasing the Bank's profitability as a result, *inter alia*, of growth in income at an average annual rate of approx. 8% (nonlinear) throughout the Plan's duration, alongside control over the expenses which will increase at an average annual target rate of approx. 5% (nonlinear) throughout the Plan's duration.
 - 3.3 To maintain high level of operational efficiency and to leverage advantages of scale following the merger with Union Bank to achieve an efficiency ratio below 50% in 2025.
4. 4.1 Dividend distribution policy:
 - 4.1.1 According to the Bank's Board of Directors resolution from February 26, 2018, the Bank's dividend distribution policy is:
 - a. (1) To distribute a dividend of up to 40% of the net profit attributed to the Bank's shareholders, from the quarterly profit;
 - (2) Said 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, and maintaining proper safety buffers.
 - b. It should be noted that according to the said dividend distribution policy, the Bank may buyback (subject to the aforesaid in ss a.(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, and subject to the instructions of the law. 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.

- 4.1.2 Following the Corona Crisis and according to the instructions of Proper Conduct of Banking Business Directive no. 250 (the "Temporary Directive"), on April 13, 2020, the Bank's Board of Directors resolved that the Bank will abstain from dividend distributions (including buyback of the Bank's share), for as long as the Temporary Directive remains in effect⁴. In this matter, the Temporary Directive, as updated, determines that the Temporary Directive, is in effect until September 30, 2021. Accordingly, after the expiration of the Temporary Directive, the Bank plans to continue acting in accordance with the said policy, subject to the instructions of the law and the limitation set by the Supervisor of Banks.
- 4.1.3 The Board of Directors will monitor the execution of the New Strategic Plan, in order to examine the possibility of increasing the dividend rate as mentioned to up to 50% out of the net profit attributed to the shareholders, with the completion of the merger with Union Bank, 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, and subject to the approval of the Supervisor of Banks
- 4.1.4 It is clarified that the "distribution" according to the dividend policy (dividend distribution as well as shares buyback) as mentioned above, is subject to the instructions of the law and limitations set by the Supervisor of Banks. It is further clarified that the dividend policy, as stated above, does not constitute a resolution or an obligation to distribute dividend, and that any "distribution" will be subject to receiving the required

⁴ For details in this matter see the immediate report published by the Bank on April 13, 2020, reference no. 2020-01-038193;

approvals required by law, including Board of Director's approval for distribution, all under the discretion of the Board of Directors and subject to any law.

5. The plan detailed above is considered a strategic plan which establishes the Bank's targets for the years 2021-2025, 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: the "**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; an increase in the number of vaccine recipients will successfully eradicate the pandemic on a global and local scale; the interest rate environment in the Israeli market will remain at its current level, with the annual inflation rate at approx. 1%; a stable economic environment – the Israeli economy will grow by an average rate of approx. 3% 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 slide 29 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 execution 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.

Respectfully,

Mizrahi Tefahot Bank Ltd

By:

Adi Shachaf, Head of Finance Division

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