

**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: 2021-01-071457

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**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:** *A presentation of the new strategic plan and a notification of a conference call*

1. *Attached is a presentation 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 (April 27, 2021) by the Bank in an immediate report – reference number 2021-01-071448.*

*The Bank respectfully announces that on Wednesday, April 28, 2021 at 16:00, the Bank will hold a conference call (in English), in order to present the new strategic plan and the attached presentation.*

*The telephone number for participation in the conference call is: +972(0)3-9180610. No access code is required.*

*A recording of the conference call will be available on the Bank's website within one business day of the call, at <https://www.mizrahi-tefahot.co.il/en/investor-relations-en/>*

*This conference call does not replace the need to peruse the Bank's periodic and quarterly reports and immediate reports, which include full information, including information in accordance with Article 32A of the Securities Law 5728-1968.*

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 Head of the Finance Division</i>
2	<i>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):

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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: Horvitz 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



# Strategic Plan

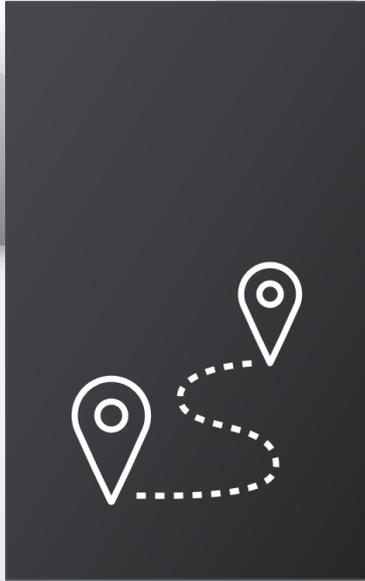
2021-2025

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.



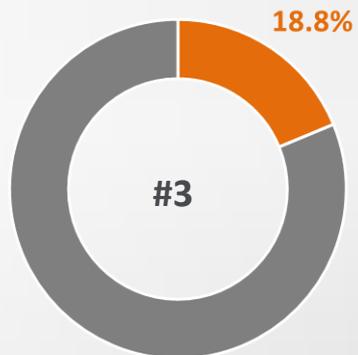
# The starting Point

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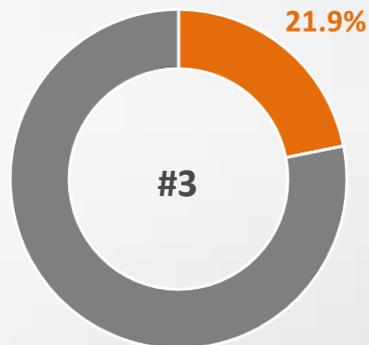


As of 31.12.2020

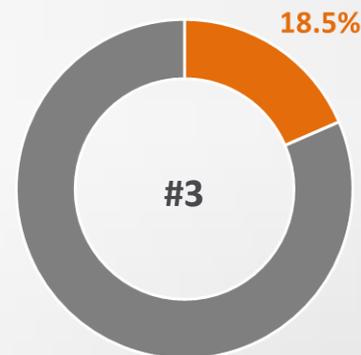
## Total Assets



## Credit to the Public

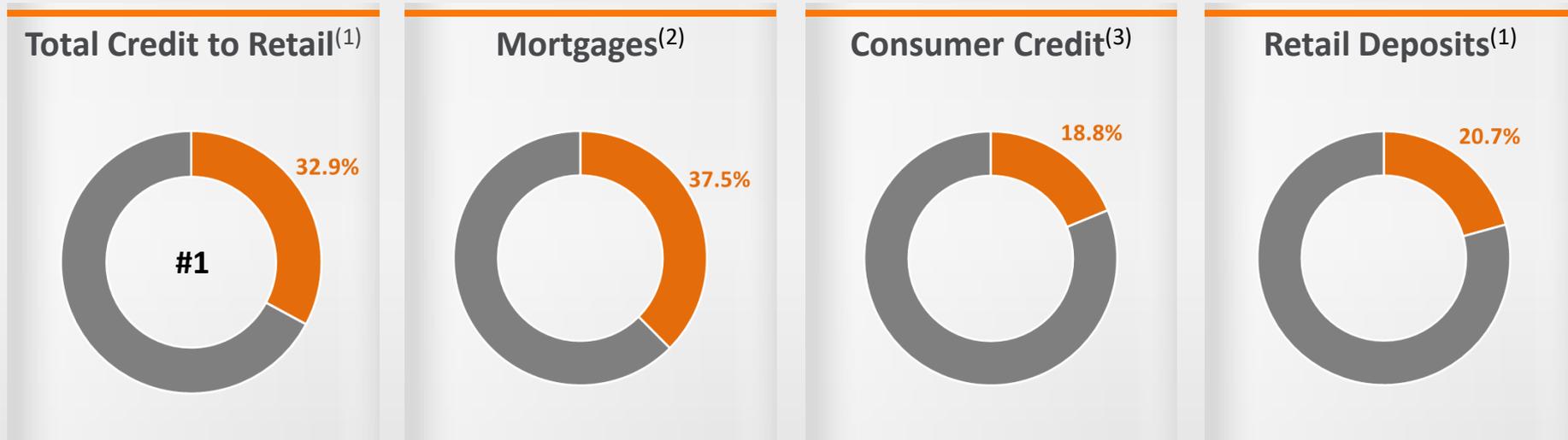


## Deposits from the Public

**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

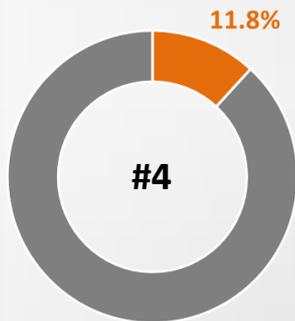
(2) Housing loans in the households segment and private banking segment

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

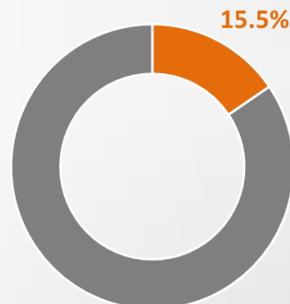


As of 31.12.2020

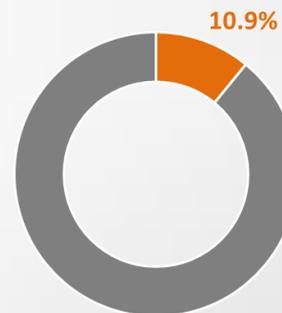
### Total Credit to Businesses



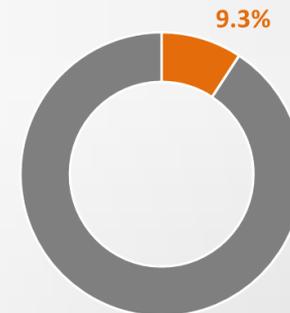
### Credit to Small Businesses



### Credit to Medium Businesses

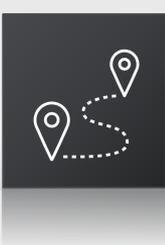


### Credit to Large Businesses and Institutional Investors

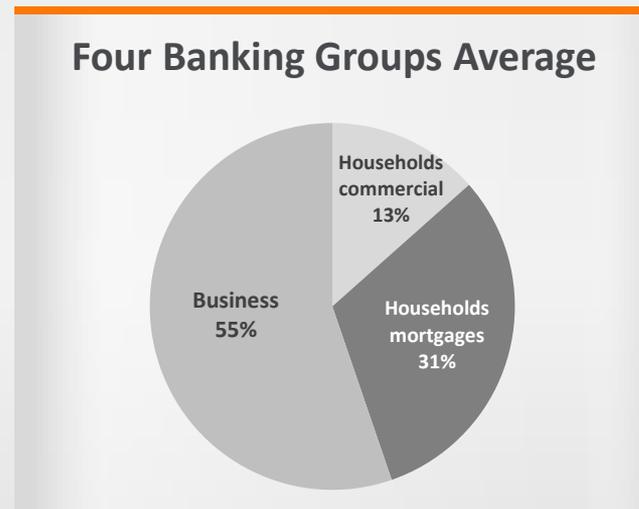
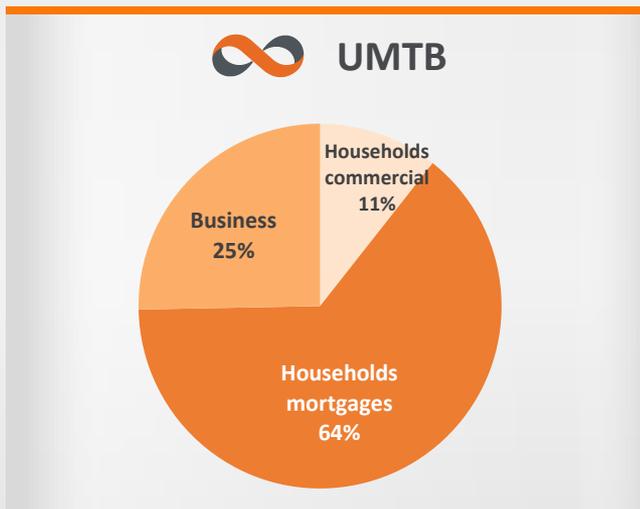


**In recent years, UMTB increased its market share in the business segments. There is growth potential in all segments, particularly in credit to large and medium businesses.**

# Credit to the public in Israel - Portfolio Composition<sup>(1)</sup>



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.**

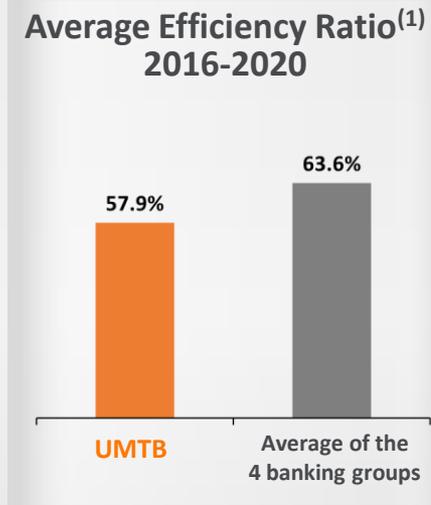
*Source: Financial reports of the five banking groups, note on supervisory operating segments*

*1) According to supervisory operating segments in Israel:*

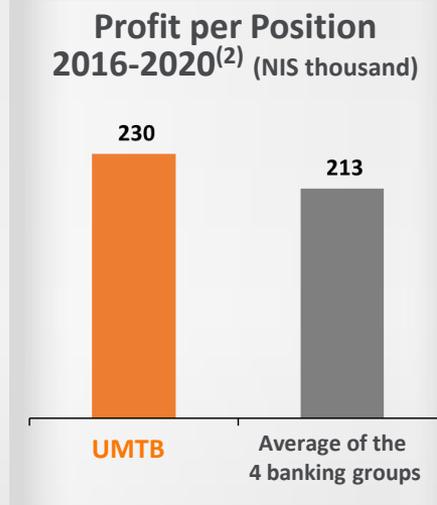
*Households commercial – households segment and private banking segment, excluding housing loans*

*Households mortgages - Housing loans*

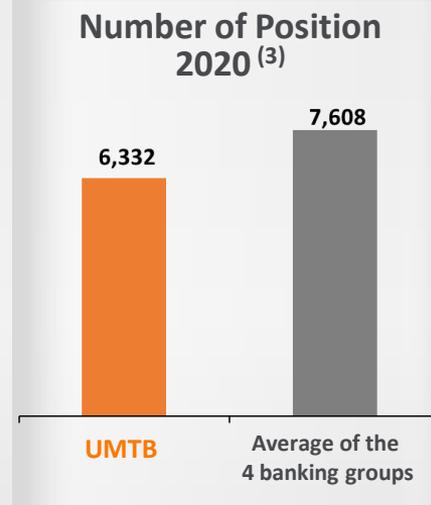
*Businesses - Small business, medium business, large business and institution investors segments*



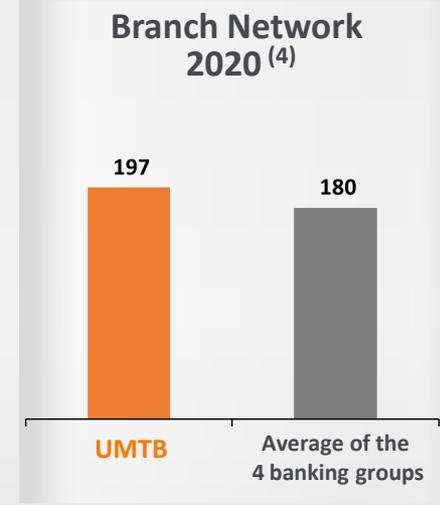
On average, over time, UMTB achieves the best efficiency ratio in the Israeli banking system<sup>(4)</sup>



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

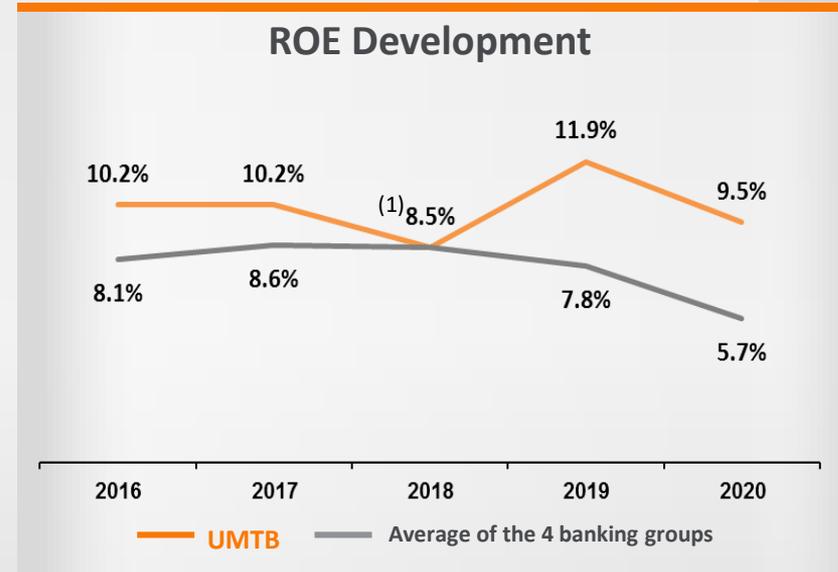
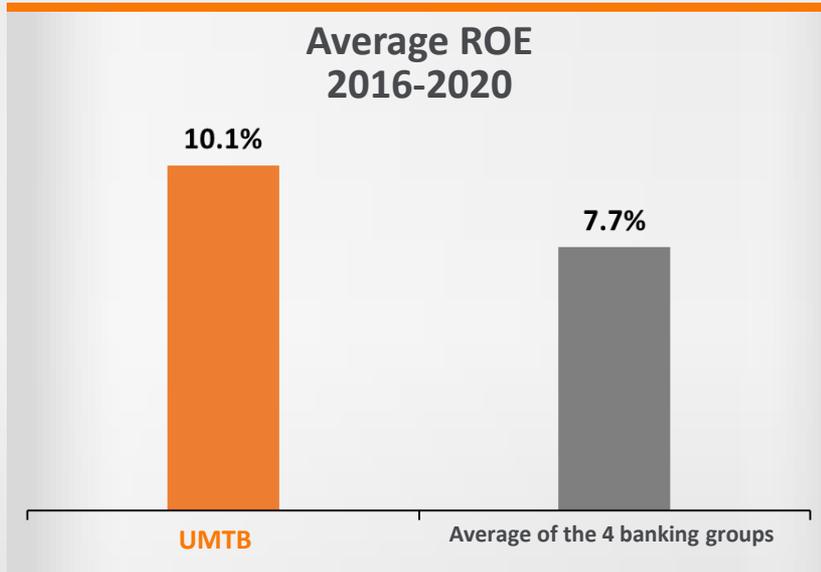
(1) Total operating and other expenses to total operating and financing revenues before expenses with respect to credit losses

(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<sup>(2)</sup>

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

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# 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



Establishing **Real Investment** activities as a supplementing suit to accelerate business activities

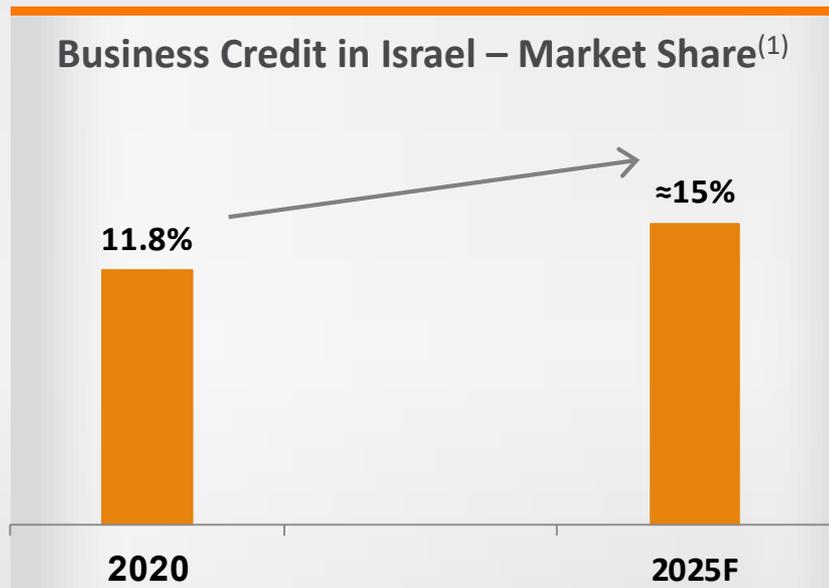
Leveraging UMTB's participation in **State Guaranteed funds** for growth in the Small and Medium business segment

Leveraging **Union Bank merger** as a platform for rapid growth in business sector activities

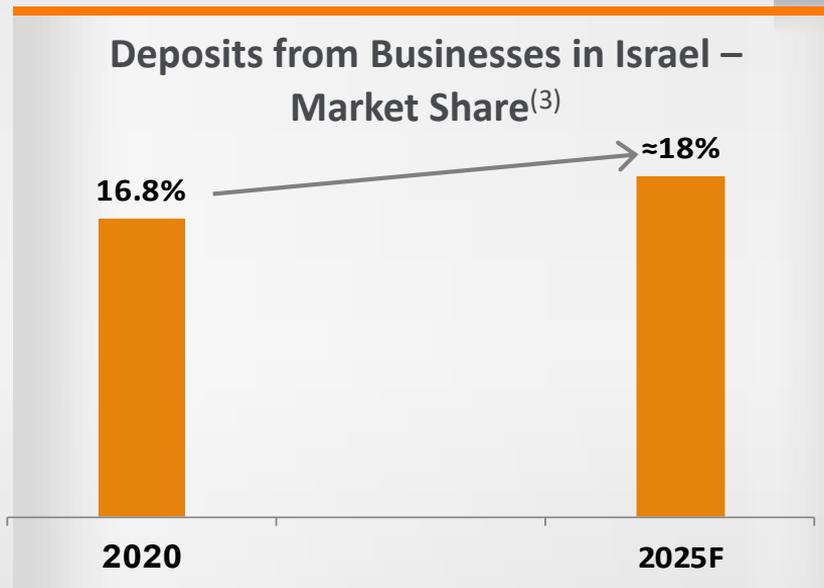
Establishing UMTB's position as a leading custodian and servicer of **financial assets**

Leading large and complex transactions - **Project Finance**

Enhancing the Business Banking Focus of UMTB's **international branches** in London and L.A.



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



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

*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

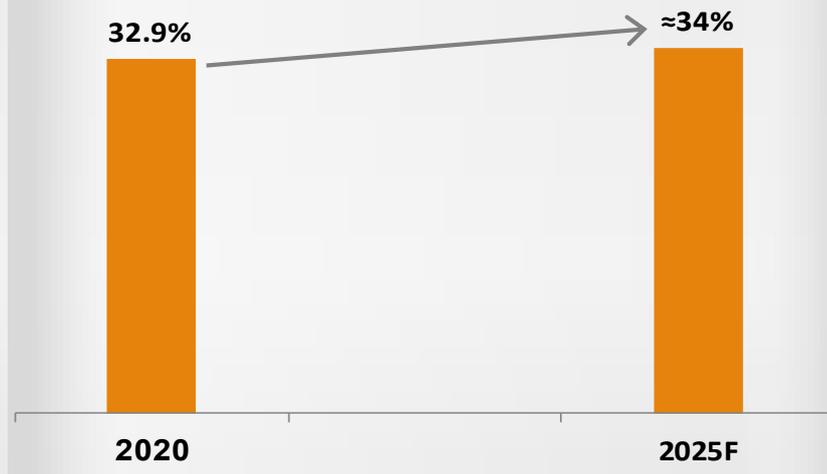
Leveraging **Yahav Bank's** unique position to further increase of the household segment market share

**Retail segmentation:**  
Increasing activities among target segments

Establishing a **unique Consumer Credit Products Desk**

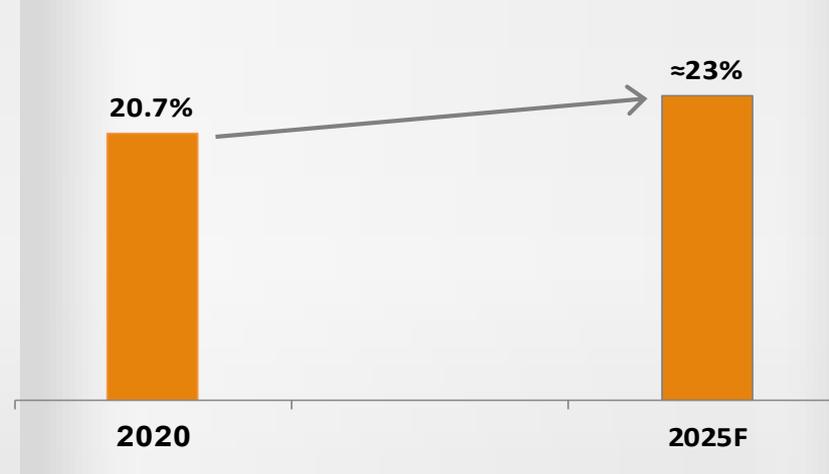


### Credit to retail in Israel - Market Share<sup>(1)</sup>



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

### Retail deposits in Israel - Market Share<sup>(3)</sup>



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

*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

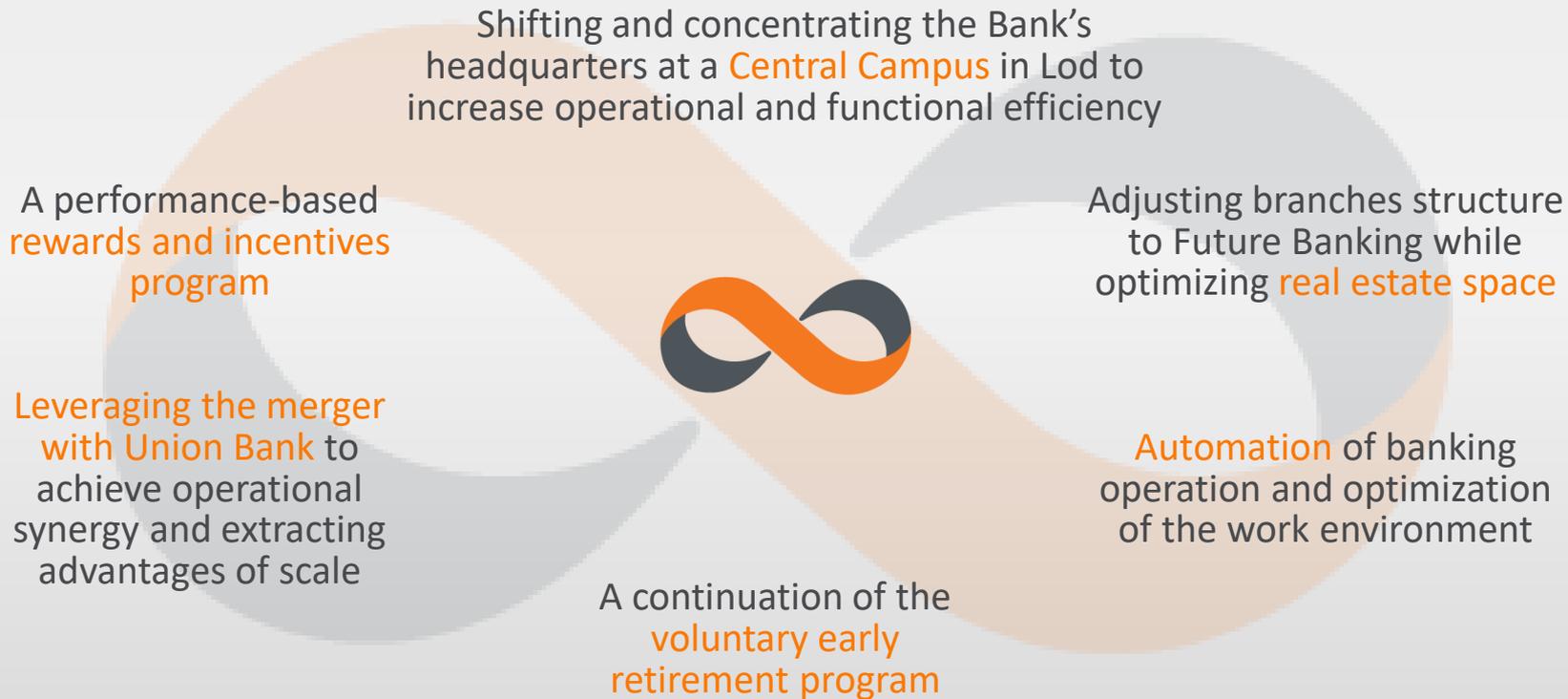
A unique and different service experience: human service by a banker, **available also Digitally**, according to the client's choice and needs

**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



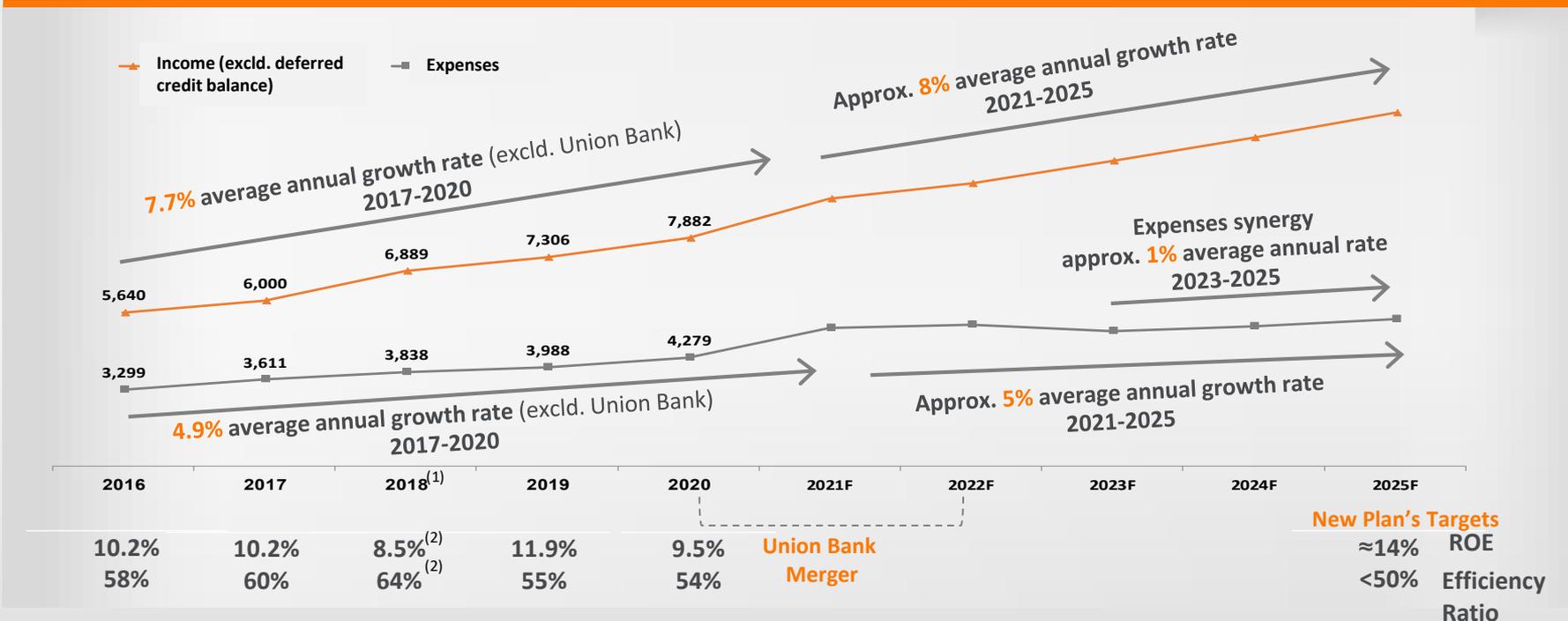
- **Market share growth** in the various segments of activity
- Continuous improvement of **operational efficiency** while maintaining **capital efficiency**
- Consistent **growth** in the group's **profitability**
- A **stable**, double-digit **ROE**, **increasing** over time
- Increasing **dividend**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



# Profitability and Return on Equity Targets

(NIS Million)

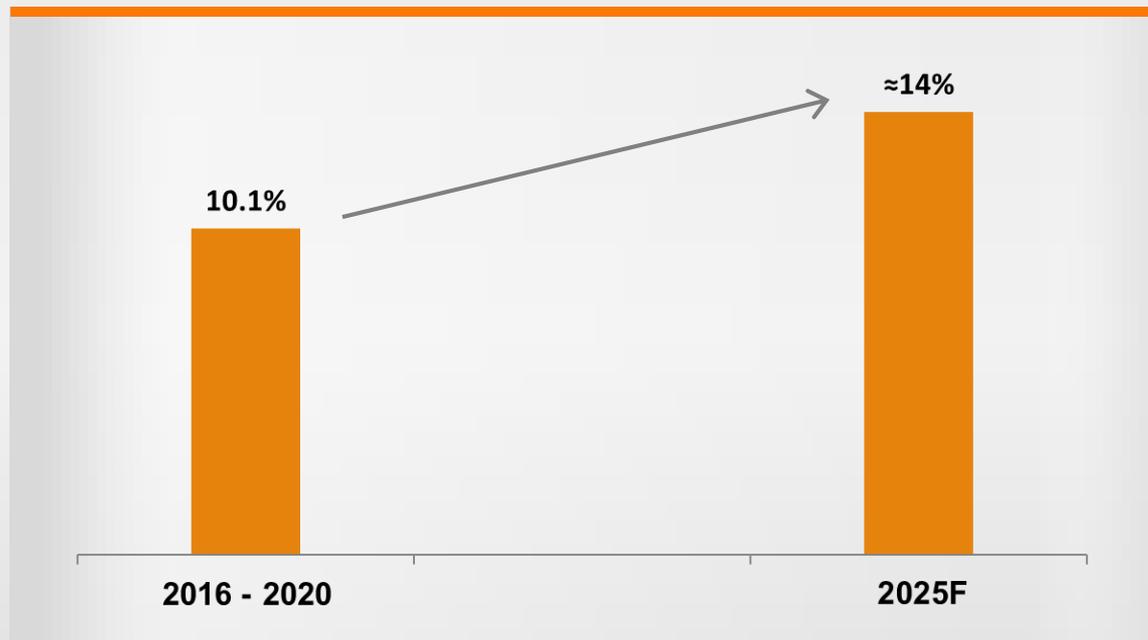
2021-2025



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%.

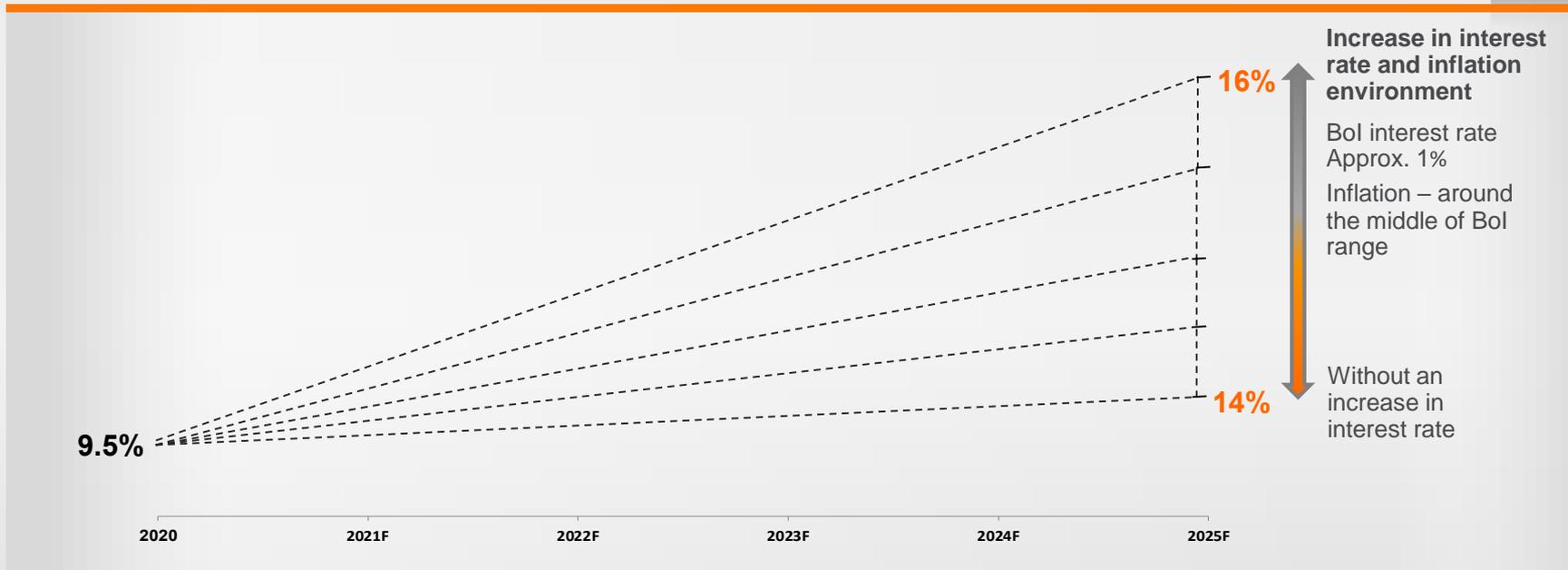


The strategic plan aims towards achieving ROE of up to 14% throughout the plan's years, even under the assumption that the Bank of Israel's interest rate remains between 0% and 0.1%



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

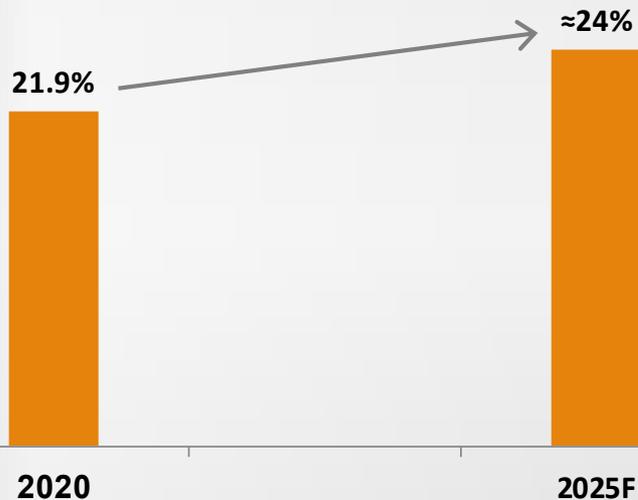
2021-2025



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%

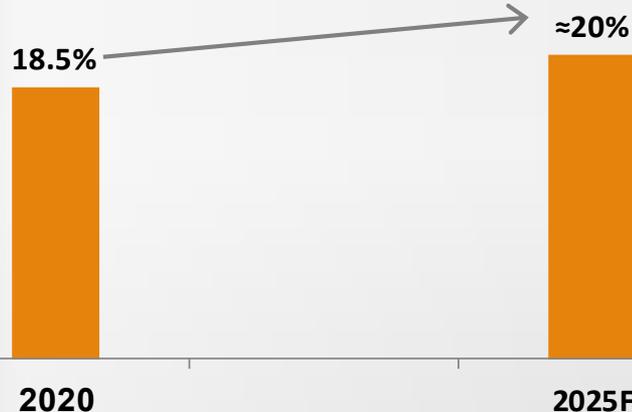


### Credit to the Public – Market Share



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

### Deposits from the Public – Market Share



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

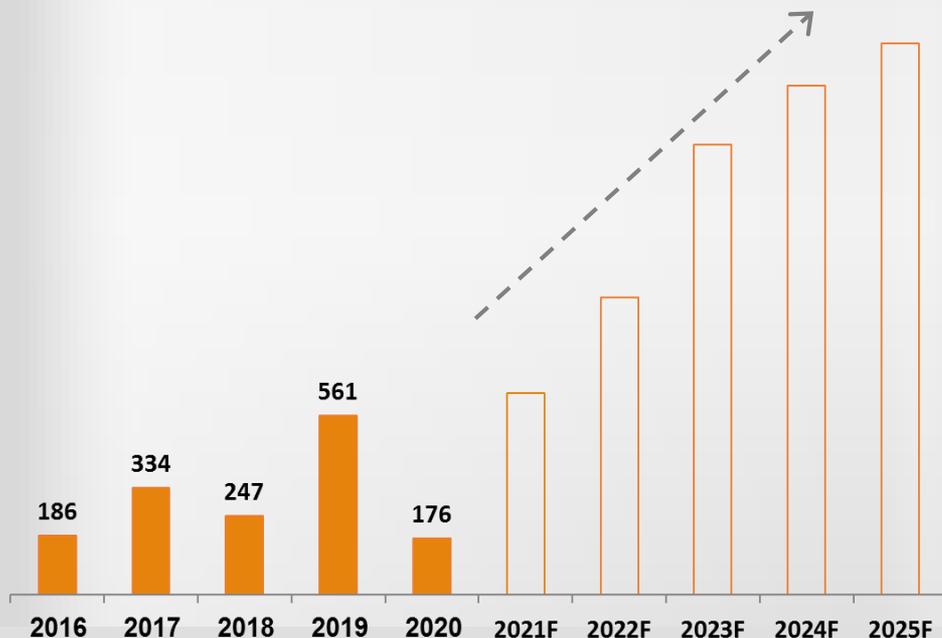
Source: Financial reports of the five banking groups

(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

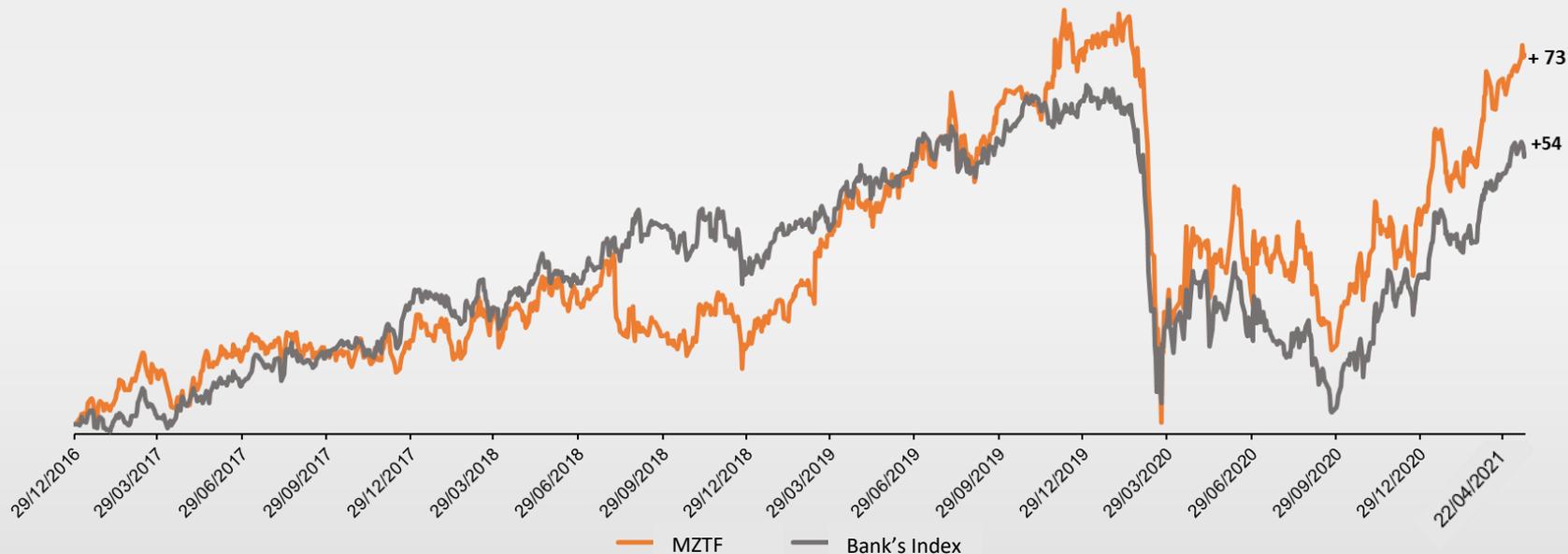
Due to a high level of operational efficiency and the expected advantages of scale following the merger with Union Bank, the goal is to achieve an **efficiency ratio below 50%** in 2025

## Increase Dividend<sup>(1)</sup>

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

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



Thank you