

ANNUAL REPORT  
**PRESS RELEASE**  
**2022**



**Moving Forward While Staying Personal,  
For 100 Years Now.**

March 14, 2023

**Net profit in 2022: NIS 4,472 million**  
**Compared to NIS 3,188 million in 2021**  
**Increase of 40.3%**

**Return on equity in 2022: 20.1%\***  
**Compared to 15.8% in 2021**

**Cost Income Ratio: 45.2%\***

**Net profit in the fourth quarter: NIS 1,087 million**  
**Compared to NIS 679 million in the corresponding**  
**period last year**  
**Increase of 60.1%**

**Return on equity in the fourth quarter: 18.5%**

**Dividend distribution of NIS 326.1 million**  
**30% of profit in the fourth quarter of 2022**

**Total dividend with respect to 2022 profit –**  
**NIS 995.4 million**

\* Excluding the effect of capital gain-return on equity in 2022: 19.0%; Cost-income ratio: 46.4%

## Continued growth in current operations, in a changing macro-economic environment

The results recorded by Mizrahi-Tefahot in the last quarter of this year and for full year 2022, reflect continued growth in the Bank's current operations, in view of changes in the local and global macro-economic environment. In 2022, the Bank recorded net profit of NIS 4,472 million, an increase of 40.3% compared to net profit in 2021. Net profit in the fourth quarter increased by 60.1% over the year-ago period, amounting to NIS 1,087 million. Financing revenues in 2022 totaled NIS 11 billion, an increase of 36.0% compared to the previous year; financing revenues from current operations amounted to NIS 9.2 billion, an increase of 40% compared to 2021.

Like the economy as a whole, the banking system is also affected by changes to macro-economic conditions in Israel and world-wide. This is in view of multiple interest rate hikes by central banks, designed to curb increasing prices and to return the inflation rate to a normative range.

In 2022, the Consumer Price Index in Israel rose by 5.3%, compared to an increase of 2.8% in 2021. The Bank of Israel interest rate, which at the end of the first quarter of 2022 was still at 0.1%, reached 3.25% at the end of the year. Since then, the Bank of Israel raised its interest rate twice more, and it currently stands at 4.25%.

Recently there has been uncertainty in the market due to Government plans to promote changes to the judicial system and the public disagreement surrounding this move. At this stage it is too early to assess the developments and impact of these events on Israel's economy.

## Growth and expansion across most balance sheet items

In 2022, Mizrahi Tefahot posted growth across all major balance sheet items. At the end of this year, shareholder's equity amounted to NIS 23.8 billion, compared to NIS 20.8 billion at end of 2021 – an increase of 14.5%; Deposits from the public amounted to NIS 344.5 billion, compared to NIS 307.9 billion at end of 2021 – an increase of 11.9%; Loans to the public amounted to NIS 307.5 billion, compared to NIS 271.4 billion at end of the previous year – an increase of 13.3%. In the loan portfolio, business lending operations stood out positively, growing by 17.5% over the year-ago period. Thus, loans to small and micro businesses increased by 12.9%, loans to large businesses increased by 22.5%, and loans to medium business increased by 29.0%.

According to data for the five large banking groups as of September 30, 2022, Mizrahi-Tefahot Group's share of loans to the public was 21.4%, of deposits from the public – 18.4% and of total assets – 18.2%.

## **Moshe Lari: Bank's results in 2022 reflect continued growth across all operating segments, in revenues and profit, in view of the higher interest rates in the market**

"The Bank's remarkable financial results in 2022 indicate our success in meeting the challenging targets we have set for ourselves – first and foremost, completion of the Union Bank merger by end of this year, as planned. Despite growing competition in the banking system and outside of it, the Bank posted impressive growth across all operating segments, in revenues and net profit, which increased by 40.3% over the year-ago period, amounting to NIS 4,472 million. This achievement is a tribute for Bank employees and managers, who throughout the year have shown outstanding persistence and professionalism, for which they should be highly commended and appreciated.

After a decade of near-zero interest rates and as inflation grows in Israel and world-wide, in 2022 the interest rate environment changed – within several months, the Bank of Israel interest rate was raised from 0.1% at the end of the first quarter, to 3.25% at the end of the year – which also affected the Bank's financial results. The sharp increase in interest rates in Israel, which in 2023 year to date increased by another percentage point to 4.25%, is a significant challenge for many customers, households and businesses, requiring strict daily control and monitoring of all potential risks. Concurrently, the Bank strives to produce personally customized solutions in order to help its customers to come through this challenging period.

Although in the final months of this year, demand in the residential real estate market in general, and for residential mortgages in particular, became more moderate, 2022 set a new record in mortgage initiations. Despite the fierce competition and changes to the operating environment, Mizrahi Tefahot continues to maintain its position as Israel's largest and leading bank in mortgages. In 2022, the Bank originated new residential mortgages and general purpose loans amounting to NIS 41 billion.

Bank Yahav of Mizrahi Tefahot Group continues to post good performance. In 2022, the bank posted net profit amounting to NIS 279 million, compared to NIS 203 million in the previous year, and return on equity at 13.8%, compared to 11.2% in 2021.

Mizrahi Tefahot will distribute a dividend with respect to profit of the fourth quarter of this year. According to the resolution of the Board of Directors, shareholders would receive a dividend amounting to NIS 326.1 million, or 30% of fourth quarter profit. This brings the total dividend with respect to 2022 profit to NIS 995.4 million", said **Bank President & CEO, Moshe Lari**.

**Mizrahi Tefahot Ltd.**  
**Highlights of financial statements**  
**As of December 31, 2022 – NIS in millions**

**Profit and profitability**

		All of	Rate of
	2022	2021	Change
			in %
Total financing revenues before expenses with respect to credit losses	10,994	8,086	36.0
Commissions and other revenues	2,674	2,234	19.7
<b>Total revenues</b>	<b>13,668</b>	<b>10,320</b>	<b>32.4</b>
Expenses (income) with respect to credit losses	532	(278)	–
Operating and other expenses	6,173	5,568	10.9
<b>Net profit attributable to shareholders of the Bank</b>	<b>4,472</b>	<b>3,188</b>	<b>40.3</b>
<b>Net profit attributable to shareholders of the Bank (fourth quarter)</b>	<b>1,087</b>	<b>679</b>	<b>60.1</b>

**Key balance sheet items**

		December 31,	Rate of
	2022	2021	Change
			in %
Loans to the public, net	307,472	271,428	13.3
Deposits from the public	344,514	307,924	11.9
Shareholders' equity attributable to shareholders of the Bank	23,780	20,770	14.5
Total assets	428,292	392,271	9.2

**Key financial ratios (in percent)**

	December 31,	
	2022	2021

**Key performance benchmarks**

Net profit return on equity:		
<b>For the year</b>	<b>20.1</b>	<b>15.8</b>
<b>For the fourth quarter</b>	<b>18.5</b>	<b>12.9</b>
Deposits from the public to loans to the public, net	112.0	113.4
Ratio of Tier I equity to risk components	9.94	10.04
Leverage ratio	5.42	5.18
Liquidity coverage ratio (Quarterly)	118	125
Cost-income ratio	45.2	54.0

**Other information**

Share price (in NIS) as of December 31	113.90	120.00
Dividends per share (in Agorot)	366	482



**מזרחי טפחות**  
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