

BUSINESS RESULTS FOR THE SECOND QUARTER

PRESS RELEASE 2 2021



Advanced banking for people, by people.

August 16, 2021

Net profit in the second quarter of 2021: NIS 988 million
Compared to NIS 360 million in the corresponding period last year
174.4% increase

Return on equity in the second quarter: 21.3%

Net profit in the first half of 2021: NIS 1,664 million
Compared to NIS 717 million in the corresponding period in 2020
And net profit of NIS 1,610 million for all of 2020

Return on equity in the first half: 17.7%

Loans to the public in the first half: NIS 254.2 billion
Increase of NIS 8.7 billion compared to end of 2020
Annualized growth rate of more than 7%

Deposits from the public in the first half: NIS 294.4 billion
Increase of NIS 10.2 billion compared to end of 2020
Annualized growth rate of more than 7%

Cost-income ratio:

In the second quarter of 2021: 50.4%

In the first half of the year: 52.8%

Dividend distribution of NIS 483 million -
30% of 2020 Bank earnings

For additional information, Bank Spokesman: 03-7559227 shoukron_b@umtb.co.il

Continued growth in Bank operations along with macro-economic effects

Data for the first half of 2021 indicates the continued growth of Bank operations, as reflected *inter alia* by higher financing revenues from current operations, even excluding Union Bank (9.2% increase in the second quarter and 5.4% – in the first half, compared to the corresponding periods last year) and by further expansion of key balance sheet items, including loans and deposits (annual growth rate of 7.2% and 7.3%, respectively). Concurrently, Union Bank's acquisition continues to generate a positive contribution, in terms of both expansion of business operations and impact on financial results.

The macro-economic improvement in Israel in the first half of the year, led to an increase of 1.6% in the Consumer Price Index and had a positive effect on Bank financing revenues in the first half of the year. This compares to a decrease of 0.8% in the CPI in the first half of 2020.

The return to (almost) regular mode operation in the first months of this year, helped the majority of clients who had required payment deferral, to resume regular payments of their loans. Consequently, the Bank partially decreased the group-based provision for credit losses recorded in the previous year.

Special preparation due to record demand for mortgages

The increased activity in the residential real estate sector, and in particular in the mortgage market, a trend seen in 2020, continued even more rapidly in 2021 year to date.

In the first quarter of this year, total transaction volume in the residential market increased significantly, accompanied by a sharp increase in demand for mortgages, reaching unprecedented monthly origination figures. This was also in view of the Bank of Israel directive, eliminating restriction on Prime-linked loans, which became effective and resulted in a lower cost of mortgages.

The sharp increase in mortgage applications by new borrowers, along with a significant increase in the number of clients seeking to review the feasibility of re-financing their current loans, resulted in an unusual demand for mortgages and required the Bank to make special preparations and efforts to service its clients.

The Mizrahi-Tefahot's mortgage experts remarkable success in optimally addressing this sharp increase in activity, providing the many applicants with available service and a high-quality professional response within a reasonable time is worth noting.

In total, in the first half of 2021 the Bank originated new loans – mortgages and general-purpose loans – amounting to NIS 17.9 billion, compared to NIS 13 billion in the corresponding period last year, an increase of 37.5%. Furthermore, existing loan re-financing exceeded NIS 3.2 billion, compared to NIS 1.5 billion in the corresponding period last year, up by 114%. This was achieved with strict adherence to underwriting quality and while maintaining an especially low risk profile of the mortgage portfolio.

Moshe Lari: Results for the second quarter and for the first half reflect the continued growth momentum, along with the positive effect of Union Bank's acquisition

"The Bank's record results in the second quarter of 2021 and in the first half of this year reflect the continued growth momentum, characterizing the Bank in recent years, as well as the contribution of Union Bank's acquisition on profit and profitability, and its positive effect on expansion of our business operations.

The economic recovery in 2021 year to date – following success of the vaccination campaign – was also reflected in the Bank's results, by the impact of the higher CPI in this period on financing revenues, and by the decrease in expenses with respect to credit losses- in line with the great majority of loans subject to payment deferral resuming regular payments.

Continued expansion in Bank operations is reflected in the development of key balance sheet items. Total assets in the first half amounted to NIS 374.4 billion, compared to NIS 360.1 billion at end of 2020 – annual growth rate of 8.1%; loans to the public amounted to NIS 254.2 billion, compared to NIS 245.5 billion at the end of 2020 – annual growth rate of 7.2%; and deposits from the public in the first half of 2021 amounted to NIS 294.4 billion, compared to NIS 284.2 billion at end of 2020 – annual growth rate of 7.3%.

Growth of business activity in the first half of 2021 could not have been achieved without the outstanding dedication of our thousands of devoted employees and managers. The increase in tasks and the need to concurrently address a range of unusual challenges and work loads, necessitated a sizable effort and diligence from Bank employees. I am happy to say that thanks to the determination and commitment of our employees we continued, even in these complicated and extraordinary times, to implement our personal, human service concept and to provide each of our individual and business clients with a comprehensive suite of professional support and value propositions, optimally customized to their needs and characteristics.

Yahav Bank, of Mizrahi Tefahot's Group, continues to show good financial results and strong performance. In the first half of this year, Yahav Bank achieved net profit of NIS 97 million, compared to NIS 85 million in the corresponding period last year, and a remarkable return on equity of 11.2%, which is a testimony *inter alia* to the quality of the Bank's loan portfolio.

Further to the announcement by the Supervisor of Banks, regarding potential dividend distribution with respect to 2020 earnings, the Bank Board of Directors resolved to distribute a dividend amounting to NIS 483 million - 30% of the previous year's earnings. Resumption of dividend distribution is good news for shareholders, and the Bank intends to resume its dividends policy, in line with statutory provisions and with guidance from the Supervisor of Banks", said **Bank President & CEO Moshe Lari**.

Mizrahi-Tefahot Ltd.
Highlights of condensed financial statements
As of June 30, 2021 – NIS in millions

Major balance sheet items

	June 30, Rate of change		
	2021	2020	in %
Loans to the public, net	254,236	214,450	18.6
Deposits from the public	294,391	231,784	27.0
Shareholder equity attributable to equity holders of the Bank	20,444	16,653	22.8
Balance sheet total	374,370	291,560	28.4

Profit and profitability

	Second quarter of Rate of change		
	2021	2020	in %
Total financing revenues before expenses with respect to credit losses	2,101	1,399	50.2
Commissions and other revenues	544	399	36.3
Total revenues	2,645	1,798	47.1
Expenses (revenues) with respect to credit losses	(240)	270	–
Operating and other expenses	1,333	950	40.3
Net profit attributable to shareholders of the Bank	988	360	174.4

Key financial ratios (in percent)

	June 30,	
	2021	2020

Key performance benchmarks

Net profit return on equity:		
For the second quarter	21.3	9.0
For the six months ended	17.7	9.0
Deposits from the public to loans to the public, net	115.8	108.1
Ratio of Tier I capital to risk components	10.53	9.96
Leverage ratio	5.36	5.36
(Quarterly) liquidity coverage ratio	132	122
Cost-income ratio:		
For the second quarter	50.4	52.8
For the six months ended	52.8	52.6

Additional information

Share price (in NIS) as of June 30	100.40	64.62
------------------------------------	--------	-------



מזרחי טפחות
MIZRAHI TEFAHOT

MIZRAHI TEFAHOT LTD.
Head office: 7 Jabotinsky st.
Ramat-Gan, 5252007
www.mizrahi-tefahot.co.il