

March 28, 2019

Total revenues: NIS 6,889 million
compared to NIS 6,000 million in 2017
14.8% growth

Financing revenues: NIS 5,367 million
Compared to NIS 4,483 million in the corresponding period
19.7% increase

Tier I capital ratio: 10.01%; Total capital ratio: 13.64%

In 2018, the Bank recorded a provision amounting to NIS 546 million with respect to the US investigation

Net profit after provision with respect to the investigation: NIS 1,206 million
Reflecting annual return on equity of 8.5%

Profit, profitability and efficiency, excluding the effect of provisions:

Net profit in 2018: NIS 1,647 million
compared to NIS 1,347 million in 2017
22.3% growth

Return on equity: 11.6%

Cost-income ratio: 57.2%

Further growth and conclusion of the US investigation

After an investigation which lasted five years, the Bank reached understandings with the US Department of Justice and signed an agreement to conclude this matter.

The majority of the provision with respect to this investigation – NIS 546 million – was recorded by the Bank in 2018, which impacted the reported results in this year. However, looking at ongoing, regular operations of the Bank shows a distinct picture of continued business development, within the outline of the strategic plan, compared to the previous year and by a multi-year view.

Between 2014-2018, total assets grew at an annual average of 6.8%, loans to the public grew at an annual average of 7.1%, deposits from the public grew at an annual average of 7.0%, and equity grew at an annual average of 8.0%.

Further increase in Mizrahi-Tefahot Group's market share

Mizrahi-Tefahot posted growth in key balance sheet items in 2018. Thus, *inter alia*, loans to the public reached NIS 194.4 billion, an increase by 7.3%. compared to end of 2017, with loans to businesses growing by an impressive 12.0%. Deposits from the public amounted to NIS 199.5 billion – an increase by 8.7% over the corresponding period last year.

Consequently, Mizrahi-Tefahot further increased its market share among the major 5 banking groups. According to data as of the end of 2018, the Bank Group's share of loans to the public grew to 19.1%, and Mizrahi Tefahot's market share of deposits from the public reached 16.4%.

Capital raised and mortgage portfolios sold to institutional investors

In 2018 as well, Mizrahi Tefahot Group raised long-term sources in the capital market, while continuing its co-operation with institutional investors, including through the sale of housing loan portfolios.

During this year, the Group issued two series of contingent subordinated notes (Contingent Convertibles – CoCo), qualifying as Tier II capital, raising a total of NIS 900 million.

The co-operation with institutional investors continued in 2018. In this context, the Bank sold this year to several institutional Investors 80% of housing loan portfolios valued in total at NIS 2.7 billion. These portfolios consist of loans with LTV ratios of up to 60%.

Eldad Fresher: 2018 was characterized by continued growth momentum and expansion of the Bank, along with signing the agreement with the US Department of Justice

"The signing of the agreement with the US Department of Justice, after a five-year long investigation, and the provisions recognized with respect there to, naturally impacted the reported results for 2018. However, excluding the impact of such provisions, the Bank would have reported record profit and return on equity at 11.6%, with the target return on equity on the strategic plan for 2021 being 11.5%. This continued growth momentum and expansion, across diverse operating segments, is further proof of the Bank's resilience and of the outstanding commitment of thousands of Bank employees and managers.

Thus, *inter alia*, total revenues (from financing operations, from commissions and other revenues) in 2018 reached a record of NIS 6.9 billion, with financing revenues (interest and non-interest) growing by 19.7%. All key balance sheet items showed good growth compared to 2017, in loans to the public – by 7.3%, in deposits from the public – by 8.7%, in total assets – by 7.6% and in shareholder equity – up by 7.3%.

In 2018, the Bank continued to increase its business focus, in line with a key target of the Bank's five-year strategic plan. Loans to the business sector increased in 2018 by 12.0% compared to the corresponding period last year, with financing revenues from business operations growing by 13.5% compared to 2017.

Mizrahi-Tefahot's growth strategy was again reflected in 2018, with the opening of 6 new branches and expansion of the branch network to 193 branches and affiliates, in recruiting tens of thousands of new clients – households and businesses, in expanding Group market share in loans and deposits and in maintaining the Bank's leadership position in the mortgage market. This was achieved along with development and deployment of advanced tools to upgrade the service experience for Bank clients.

Also notable is the concurrent continued improvement in results of Bank Yahav of Mizrahi Tefahot Group. In 2018, Bank Yahav reached return on equity at 10.2%, compared to 7.1% in the previous year, and its contribution to Group profit amounted to NIS 68 million.

The agreement reached with the US Department of Justice would allow the Bank to focus in 2019 on achieving the strategic plan targets and returning, as early as this year, to the outline for dividend distributions", said **Bank President & CEO, Eldad Fresher**.

Mizrahi-Tefahot Ltd.
Highlights of financial statements
As of December 31, 2018 – NIS in millions

Major balance sheet items

	December 31,		Rate of change
	2018	2017	In %
Loans to the public, net	194,381	181,118	7.3
Deposits from the public	199,492	183,573	8.7
Shareholder equity attributable to equity holders of the Bank	14,681	13,685	7.3
Balance sheet total	257,873	239,572	7.6

Profit and profitability

	2018	All of 2017	Rate of change In %
Total financing revenues before expenses with respect to credit losses	5,367	4,483	19.7
Commissions and other revenues	1,522	1,517	0.3
Total revenues	6,889	6,000	14.8
Expenses with respect to credit losses	⁽¹⁾ 310	192	–
Operating and other expenses	⁽²⁾ 4,384	3,611	21.4
Net profit attributable to shareholders of the Bank	⁽²⁾1,206	1,347	(10.5)

Key financial ratios (in percent)

	December 31,	
	2018	2017
Key performance benchmarks		
Net return on equity	⁽²⁾ 8.5	10.2
Deposits from the public to loans to the public, net	102.6	101.4
Ratio of Tier I capital to risk components	10.01	10.20
Leverage ratio	5.42	5.48
(Quarterly) liquidity coverage ratio	116	118
Cost-income ratio:	⁽²⁾ 63.6	60.2

Additional information

Share price (in NIS) as of December 31	63.14	64.19
Dividends per share (in Agorot)	106	144

- (1) Expenses with respect to credit losses were impacted by some maximization of collection of previously written-off debts up to the present.
- (2) Operating and other expenses for 2018 include a provision, amounting to NIS 546 million, with respect to the investigation by the US Department of Justice (NIS 425 million in the second quarter and NIS 121 million in the fourth quarter).

Net profit and financial ratios from the Bank's current operations, i.e. excluding implications of the provisions with respect to the investigation, are as follows:

Net profit in 2018 – NIS 1,647 thousand.

Return on equity in 2018 – 11.6%.

Cost-income ratio in 2018 – 57.2%.