

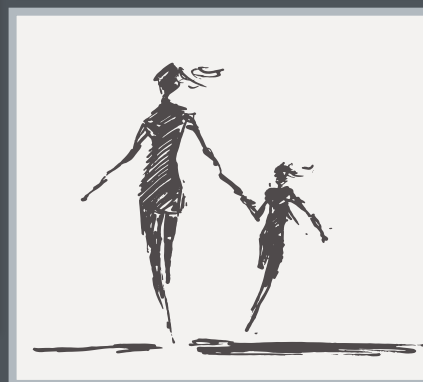
BUSINESS RESULTS FOR THE THIRD QUARTER

# PRESS RELEASE 3

2019



**Human Connections** in the Mirror of Art



November 18, 2019

**Net profit in the first nine months of 2019: NIS 1,402 million**  
**Compared to NIS 1,004 million in the corresponding period in 2018\***  
**39.6% growth**

**Financing revenues from current operations: NIS 4,078 million**  
**Compared to NIS 3,615 million in the first nine months of last year**  
**12.8% growth**

**Return on equity in the first nine months of this year: 12.4%**

**Cost-income ratio in the first nine months: 54.6%**

**Tier I capital ratio as of September 30, 2019: 10.13%**

**Dividend amounting to NIS 169 million to be distributed with respect to third quarter net profit**

\*Excluding the effect of the US investigation, net profit for the period would have been NIS 1,269 million

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## Effect of the CPI on reported results

The macro-economic environment in Israel continues to be characterized by low interest rates and inflation.

In the first nine months of this year, the CPI increased by only 0.5%, compared to an increase by 1.1% in the corresponding period last year (and an increase by 0.8% for all of 2018).

The change in the CPI is most apparent in the third quarter of 2019: **Decrease** by 0.7%, compared to **increase** by 0.2% in the corresponding period of 2018. The difference in CPI between the corresponding quarters, at 0.9%, accounts for a difference of NIS 113 million in Bank revenues between these quarters.

Despite this difference, and thanks to growth of operations, return on equity in the third quarter of this year reached 11.1%, and net profit amounted to NIS 422 million, compared to NIS 454 million in net profit in the corresponding period in 2018.

## Accelerated achievement of the strategic plan

The Bank continued its growth momentum in the first nine months of 2019, as reflected in diverse operations, in major balance sheet items and in revenues.

This allows the Bank to more rapidly achieve its strategic plan, where in some major parameters, the Bank has already reached the targets specified in this plan for the end of 2021. Thus, *inter alia*, return on equity in the first nine months of this year was at 12.4%, compared to a target of 11.5% for the end of 2021; the cost-income ratio in this period reached 54.6%, in line with target (below 55%) specified for the end of the strategic plan period; and the Bank's share of loans to the public reached 19.6%, compared to a 19.5% target specified in the strategic plan.

## Further increase in business focus

In line with the key target of the strategic plan – increased business focus – the Bank continues to expand its business banking operations and to post significant growth rate in loans extended to the business sector in Israel.

Compared to the corresponding period last year, the business loan portfolio grew by 8.2%, compared to 6.7% growth in the Bank's overall loan portfolio. Especially outstanding were: Loans to micro and small businesses that grew by 13.0%, and loans to medium businesses posted impressive growth by 16.3%.

## **Fresher: The Bank continues to grow, continues to increase its market share and to achieve more rapidly its strategic plan**

"Data for the first nine months of 2019 reflect continued growth momentum in Bank operations, with growth in most balance sheet items, in revenues and in profitability. Net profit of NIS 1,402 million and return on equity at 12.4%, with a 9.1% increase in Bank capital, near-zero interest rate environment and cumulative CPI growth at only 0.5%, are indications of the robustness of Mizrahi-Tefahot and of the quality of the Bank's staff and management.

Loans to the public increased in the first nine months of this year by 6.7% over September 30, 2018, to NIS 202.6 billion; deposits from the public grew in the same period by 7.7%, to NIS 207.8 billion; and total assets grew by 7.3%, to NIS 267 billion, compared to the corresponding period last year. Growth in operations resulted in higher Bank revenues: Financing revenues from current operations in the first nine months of this year amounted to NIS 4,078 million, compared to NIS 3,615 million in the corresponding period last year – an increase by 12.8%.

Mizrahi-Tefahot's success in competing with other banks across all operating segments is bearing fruit, allowing the Bank to consistently grow its market share over time. According to bank reports for the first half of this year, Mizrahi-Tefahot's share of loans to the public grew to 19.6%, the Bank's market share of deposits from the public is 16.6%; and the Bank's share of total assets was up to 16.9%.

Yahav Bank continues to significantly improve its results and to increase its contribution to Group profit. In the first nine months of 2019, Yahav Bank achieved net profit of NIS 123.1 million, compared to NIS 98.8 million in the year-ago period – an increase by 24.6%. Return on equity at Yahav Bank in the first nine months of the year reached 11.4%, compared to 10.1% in the year-ago period.

In line with its dividend policy, the Bank would distribute to shareholders dividends amounting to NIS 169 million, or 40% of net profit in the third quarter of this year. This is in addition to a dividend amounting to NIS 392 million distributed by the Bank with respect to net profit in the first half of 2019", said **Bank President & CEO Eldad Fresher**.

**Mizrahi-Tefahot Ltd.**  
**Highlights of condensed financial statements**  
**As of September 30, 2019 – NIS in millions**

**Major balance sheet items**

	September 30,		Rate of change
	2019	2018	In %
Loans to the public, net	202,578	189,796	6.7
Deposits from the public	207,832	192,943	7.7
Shareholder equity (attributable to equity holders of the Bank)	15,755	14,441	9.1
Balance sheet total	267,001	248,831	7.3

**Profit and profitability**

	First nine months		Rate of change
	2019	2018	In %
Total financing revenues before expenses with respect to credit losses	4,281	3,986	7.4
Commissions and other revenues	1,204	1,126	6.9
<b>Total revenues</b>	<b>5,485</b>	<b>5,112</b>	<b>7.3</b>
Expenses with respect to credit losses	245	233	5.2
Operating and other expenses	2,995	3,173	(5.6)
<b>Net profit attributable to shareholders of the Bank</b>	<b>1,402</b>	<b>1,004</b>	<b>39.6</b>

**Key financial ratios (in percent)**

	September 30,	
	2019	2018
<b>Key performance benchmarks</b>		
Net profit return on equity:		
For the third quarter	11.1	13.4
For nine months	12.4	9.7
Deposits from the public to loans to the public, net	102.6	101.7
Ratio of Tier I capital to risk components	10.13	10.11
Leverage ratio	5.62	5.47
Liquidity coverage ratio (Quarterly)	122	121
Cost income ratio:		
For the third quarter	56.7	54.5
For nine months	54.6	62.1
<b>Key credit quality benchmarks</b>		
Ratio of balance of provision for credit losses to total loans to the public	0.81	0.81
Ratio of impaired debts or debts in arrears 90 days or longer to loans to the public	1.29	1.17
Expenses with respect to credit losses to loans to the public, net for the period	0.16	0.16
<b>Additional information</b>		
Share price (in NIS) as of September 30	86.40	62.26



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