

May 20, 2019

Net profit in first quarter: NIS 404 million

Compared to NIS 343 million in the corresponding period last year

17.8% increase

Shareholders' equity: NIS 15.1 billion

Compared to NIS 13.9 billion in the corresponding period

8.9% growth

Return on equity: 11.3%

Compared to 10.3% in the first quarter of 2018 and 8.5% for all of 2018.

Financing revenues from current operations: NIS 1,349 million

Compared to NIS 1,141 million in the corresponding period last year

18.2% increase

Total revenues: NIS 1,697 million

Compared to NIS 1,544 million in the corresponding period

9.9% increase

Cost-Income ratio: 58.1%

Accelerated expansion in business banking

In line with the main goal of the strategic plan, the Bank continued in the first quarter to expand its operations with the business sector, compared to the corresponding quarter. This was reflected both by loans extended to businesses in all segments and by financing revenues from these operations. Thus, for example, loans to small and micro businesses grew by 14.2%; loans to medium businesses grew by 15.0%; and loans to large businesses grew by 7.6% compared to the first quarter of 2018.

Financing revenues from business segment operations increased by 13.8% compared to the corresponding period last year, especially financing revenues from small and micro businesses, with an impressive 20.3% growth, and financing revenues from medium businesses, with 17.2% growth.

Continued expansion in major balance sheet items

Growth in Bank operations is reflected across major balance sheet items. Total assets in the first quarter of 2019 amounted to NIS 260.0 billion – an increase by 7.1% over the corresponding period last year; Loans to the public in the first quarter grew to NIS 196.3 billion – an increase by 6.9% over the corresponding period last year; Deposits from the public amounted to NIS 204.8 billion – an increase by 9.5% compared to the corresponding period last year, with further improvement in the portfolio mix and higher shares of deposits from households and small businesses; Shareholder equity for the Bank continued to grow to NIS 15.1 billion – higher by almost NIS 1.2 billion, or 8.9%, than in the corresponding period last year.

Developments in the technology and digital domain

The service concept at Mizrahi Tefahot is based on the Bank's unique hybrid model, where the personal banker in the branch is at the center of the relationship with the client, surrounded by an advanced technology solutions. The effort to secure the most innovative technology solutions for Bank clients continued in the first quarter. In this context, the Bank launched a new app for account management, which provides extensive information to clients, allowing them to conduct various transactions in a convenient, user-friendly way. The new app is in response to global trends of turning the mobile into a key tool for conducting transactions in the bank account, while maintaining the personal connection with the banker. Concurrently, the Bank decided to replace its core capital market system – a ground-breaking move yet to be attempted by any bank in Israel other than Bank Yahav.

Eldad Fresher: Quarterly results reflect further growth of Bank operations with increased business focus, in accordance with the strategic plan

"Mizrahi Tefahot's financial statements for the first quarter of 2019 indicate further expansion in Bank business, while growing all major parameters: loans and deposits, financing revenues and total revenues, shareholder equity and total assets. This resulted in an increase by 17.8% in net profit, to NIS 404 million, compared to NIS 343 million in the first quarter of 2018 – reflecting an impressive return on equity at 11.3%, compared to 10.3% in the corresponding quarter and 8.5% for all of 2018.

The Bank's loan portfolio increased in the first quarter by 6.9% over the corresponding period last year, with the composition of growth in loans indicative of the increased business focus, as set forth in the strategic plan. Loans to businesses increased by 11.5% compared to the corresponding period last year – with this growth showing across all business segments; concurrently, financing revenues from these operations grew by 13.8% over the first quarter of 2018, due to growth in business lending and improved margins.

Concurrently, the Bank continues to lead the mortgage market with a housing loan portfolio (including general-purpose loans secured by a mortgage on a residential apartment) valued at NIS 127 billion, an increase by 5.5% compared to the first quarter of 2018. Revenues from mortgage operations amounted to NIS 441 million – an increase by 10.8% over the corresponding period last year.

Total revenues for the Bank in the first quarter of this year amounted to NIS 1.70 billion, an increase by 9.9% compared to the corresponding period last year – higher than the 6.9% growth rate for loans in this period.

Bank Yahav, of Mizrahi Tefahot Group, continues to show significant improvement in financial results. In the first quarter of 2019, Bank Yahav achieved net profit of NIS 36 million, an increase by 20% compared to the corresponding period last year, with return on equity at 10.6%. The increase in Bank Yahav earnings is due to an increase in business, improved financing margins and stable expenses.

Growth and expansion in Mizrahi Tefahot Group operations is also reflected by the Bank's impressive cost-income ratio, at 58.1% at the end of the quarter.

After a halt which lasted several quarters, the Bank estimates it would resume dividend distributions as early as in respect of earnings of the second quarter of 2019", said Bank President & CEO, Eldad Fresher.

Mizrahi-Tefahot Ltd.
Highlights of condensed financial statements
As of March 31, 2019 – NIS in millions

Major balance sheet items

	March 31, 2019	March 31, 2018	Rate of change In %
Loans to the public, net	196,271	183,628	6.9
Deposits from the public	204,777	187,066	9.5
Shareholder equity attributable to equity holders of the Bank	15,121	13,890	8.9
Balance sheet total	260,011	242,805	7.1

Profit and profitability

	First Quarter 2019	First Quarter 2018	Rate of change In %
Total financing revenues before expenses with respect to credit losses	1,288	1,171	10.0
Commissions and other revenues	409	373	9.7
Total revenues	1,697	1,544	9.9
Expenses with respect to credit losses	76	82	(7.3)
Operating and other expenses	986	912	8.1
Net profit attributable to shareholders of the Bank	404	343	17.8

Key financial ratios (in percent)

	March 31, 2019	March 31, 2018
Key performance benchmarks		
Net profit return on equity	11.3	10.3
Deposits from the public to loans to the public, net	104.3	101.9
Ratio of Tier I capital to risk components	10.12	10.16
Leverage ratio	5.54	5.43
(Quarterly) liquidity coverage ratio	120	125
Cost-income ratio:	58.1	59.1
Additional information		
Share price (in NIS) as of March 31	74.60	67.03