

BUSINESS RESULTS FOR THE FIRST QUARTER



Moving Forward While Staying Personal,
For 100 Years Now.

May 17, 2023

Net profit in the first quarter: NIS 1,367 million

Compared to NIS 1,154 million in the corresponding period last year

Increase of 18.5%

Return on equity in the first quarter: 22.4%

Compared to 21.9% in the corresponding period and 20.1% for all of 2022

Financing revenues in the first quarter:

NIS 3,233 million

Compared to NIS 2,261 million in the first quarter of 2022

Increase of 43.0%

Financing revenues from current operations:

NIS 2,942 million

Compared to NIS 1,834 million in the first quarter of 2022

Increase of 60.4%

Cost Income Ratio: 37.6%

Dividend distribution amounting to NIS 410.1 million – 30% of the profit in the first quarter

Continued growth and expansion in key balance sheet items

The Bank's results in the first quarter of 2023 reflect continued growth and expansion across most balance sheet items.

Total assets at the end of the first quarter amounted to NIS 434 billion, compared to NIS 394 billion in the corresponding period last year, an increase of 10.2%. Loans to the public at the end of the first quarter of 2023 amounted to NIS 312.3 billion, compared to NIS 282.9 billion in the corresponding period last year, an increase of 10.4%. Deposits from the public as of March 31, 2023 amounted to NIS 348.5 billion, compared to NIS 312.6 billion in the corresponding period last year, an increase of 11.5%. Shareholder equity at the end of the first quarter of 2023 amounted to NIS 24.8 billion, compared to NIS 21.2 billion in the corresponding period last year, an increase of 17.2%.

Proactive assistance to the Bank's mortgage customers

The significant increase in interest rates, within a relatively short period of time, impacts current and future mortgage clients. As expected from the leading and largest mortgage bank in Israel, Mizrahi Tefahot applies a proactive assistance policy, designed to mortgage customers, existing and new ones alike.

In this regard, the Bank offers multiple solutions for customers whose monthly loan repayment has increased significantly and is a burden on their current finances. For these customers – some of whom the Bank has proactively contacted – the Bank allows full or partial deferral of monthly repayments for a certain period, extension of the loan term and/or full or partial re-financing of the loan.

Furthermore, customers who have both a mortgage and a current account with Mizrahi Tefahot – used to repay the loan, can benefit from an exemption on negative account balance for one year, up to the monthly mortgage payment amount or up to NIS 6,000 – whichever is lower. This is a substantial relief for those with a negative balance, especially in a period of relatively high interest rates in the market.

Another unique product offered by the Bank, which is suitable for the challenges of this period, is "Mortgage at your own pace", which allows customers to adjust their monthly repayment to their changing financial capabilities, throughout the loan term. Customers may choose, for example, to make somewhat lower payments at the outset, and to make higher ones later on, to better match their expected income.

The Bank has also recently launched several useful tools for those considering buying an apartment, including a free-of-charge course "Preparing to buy an apartment", where users are exposed to all the relevant terminology of housing and mortgages, and become familiar with available tools to review the area where they would consider living.

Moshe Lari: Bank results in the first quarter of 2023 indicate continued growth trend in view of the challenging macro-economic environment

"The reported results for the first quarter of 2023 reflect the continued growth trend at the Bank in recent years. Net profit of NIS 1,367 million and return on equity of 22.4% are notable achievements resulting, first and foremost, from the combined effort made by all employees and managers at the Bank, in order to achieve our specified business targets. This achievement stands out especially in view of the challenging macro-economic environment and increased market uncertainty.

The interest rate increases, which the Bank of Israel started in the second quarter of 2022, continued in the first quarter of this year as well. Since the end of 2022, the central bank has raised interest rates three times in a row, from 3.25% to 4.50%. This was due to continued higher inflation, as reflected by a cumulative increase of 1.2% in the Consumer Price Index in the first three months of 2023.

This rapid change to the interest rates environment poses challenges to clients, both households and businesses, across various segments. Mizrahi Tefahot, with a human and proactive service concept, acts continuously, through bankers at branches and at business units, to provide customers with a perfect offering of products and solutions, to enable them to optimally go through these challenging times.

After the successful completion of the Union Bank merger, at the end of 2022 as planned, agreements that govern onboarding of former Union Bank employees to the Bank were signed in the first quarter. These agreements include, inter alia, conversion of their salaries to the structure common in Mizrahi Tefahot, the pension rights of onboarded employees and so forth. This move, along with final disconnection from the external IT system used by Union Bank over the years, essentially completed the merger in all its business, technology, operating and human aspects. Former Union Bank employees are already part of the Bank's branches and professional units, supporting Bank objectives as an inseparable part of the existing human and social fabric at the Bank.

Yahav Bank of Mizrahi Tefahot Group continues to post good performance. In the first quarter of this year, the Bank recorded net profit amounting to NIS 97 million, compared to NIS 48 million in the corresponding period last year, and return on equity of 17.6%, compared to 10.0% in the first quarter of 2022", **said Bank President & CEO, Moshe Lari.**

Mizrahi Tefahot Ltd.
Highlights of condensed financial statements
As of March 31, 2023 (NIS in millions)

Key balance sheet items

	March 31		Rate of
	2023	2022	Change
			in %
Loans to the public, net	312,319	282,917	10.4
Deposits from the public	348,469	312,653	11.5
Shareholders' equity attributable to shareholders of the Bank	24,844	21,199	17.2
Total assets	434,110	394,045	10.2

Profit and profitability

	First quarter		Rate of
	2023	2022	Change
			in %
Total financing revenues before expenses with respect to credit losses	3,146	2,144	46.7
Commissions and other revenues	680	1,069	(36.4)
Total revenues	3,826	3,213	19.1
Expenses with respect to credit losses	227	79	–
Operating and other expenses	1,437	1,388	3.5
Net profit attributable to shareholders of the Bank	1,367	1,154	18.5

Key financial ratios (in percent)

	March 31	
	2023	2022
Key performance benchmarks		
Net profit return on equity: ⁽¹⁾	22.4	21.9
Deposits from the public to loans to the public, net	111.6	110.5
Ratio of Tier I equity to risk components	10.12	10.01
Leverage ratio	5.53	5.31
Liquidity coverage ratio (Quarterly)	126	120
Cost-income ratio ⁽¹⁾	37.6	43.2

Other information

Share price (in NIS) as of March 31	112.63	125.20
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(1) Excluding effect of capital gain, net from sale of assets, net profit return on equity in the first quarter of 2022 is 16.6% and the cost-income ratio is 48.8%.



מזרחי טפחות
MIZRAHI TEFAHOT

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