

August 12, 2019

Net profit in the second quarter of 2019: NIS 576 million

Compared to NIS 207 million in the corresponding period last year*

178.3% growth**

Return on equity in the second quarter: 15.8%

Financing revenues in the second quarter: NIS 1,632 million

Compared to NIS 1,474 million in the corresponding period last year

10.7% increase

Net profit in the first half of 2019: NIS 980 million

Compared to NIS 550 million in the corresponding period last year*

78.2% growth**

Return on equity in the first half: 13.3%

Cost-Income ratio:

In the second quarter of 2019: 49.9%

In the first half of the year: 53.6%

**Dividends to be distributed – NIS 392 million
with respect to earnings in the first half of 2019**

* The second quarter of 2018 included a provision, amounting to NIS 425 million, with respect to the investigation in the USA. Excluding the impact of this investigation, net profit in the second quarter of 2018 amounted to NIS 472 million, and in the first half of 2018 – to NIS 815 million.

** Excluding the impact of this investigation – year-over-year growth of 22.0% for the second quarter and 20.2% for the first half.

Continued expansion with record quarterly results achieved

Results of the second quarter of 2019 show continued expansion of Bank business across diverse parameters: loans and deposits, balance sheet total, shareholder equity, revenues and in particular in financing revenues.

This resulted in record numbers achieved for multiple key parameters. Thus, *inter alia*, net profit in the second quarter reached NIS 576 million; total quarterly revenues exceeded NIS 2 billion for the first time ever, amounting to NIS 2,027 million; net profit return on equity for the quarter reached 15.8%; and the cost-income ratio for the second quarter dropped below 50%.

Accelerated achievement of the strategic plan

Since early 2017, Mizrahi-Tefahot has operated according to its five-year strategic plan, which specifies the key targets to be achieved by the Bank Group by end of 2021.

The Bank's expansion over the past two and a half years has resulted in accelerated achievement of the strategic plan, so that today, the Bank has achieved or close to achieving its key targets. Return on equity for the first half of 2019 reached an annualized 13.3%, compared to the target of 11.5% set for end of 2021. The cost-income ratio for the first half reached 53.6%, in line with the target of a ratio lower than 55% set for the end of the strategic plan term.

According to data for the first quarter of 2019, Mizrahi-Tefahot Group has a market share of 19.1% of loans to the public (compared to a target of 19.5% at end of 2021); market share of 16.6% of deposits from the public (compared to a target of 17.5%); and market share of 16.7% in total assets (compared to a target of 17.0%).

Optimal branch network

In line with Mizrahi-Tefahot's unique service concept, which is diametrically opposed to the current trend in the banking system, the Bank continues to expand its branch network and to make personal, human service accessible to the public at large.

In the second quarter of this year, the Bank opened three new branches: In Zichron Ya'akov, Taybeh and Harish. Bank Yahav also opened a new branch in this period, for a total of 197 branches for the Bank Group (including Bank Yahav) – in line with the target (of 190 to 200) set in the strategic plan for end of 2021.

Notably, the Taybeh branch recently opened is Mizrahi-Tefahot's eighth branch in the Arab sector, a move launched by the Bank several years ago, which is well accepted by both individuals and businesses.

Eldad Fresher: Second quarter results reflect continued growth momentum at the Bank, with rapid achievement of the strategic plan

"Results of the second quarter of 2019 reflect continued growth momentum at the Bank, with expansion across multiple operations, with record quarterly results achieved and rapid achievement of the strategic plan. Net profit of NIS 576 million, return on equity at 15.8% and cost-income ratio below 50% – these are remarkable achievements by the Bank, its employees and managers.

This growth is reflected across all key balance sheet items: Thus, loans to the public in the second quarter of this year grew by 7.3% year-over-year and, for the first time ever, exceeded NIS 200 billion, with significant growth, by 11.9%, in loans for business operations, in line with the target of increased business focus in the strategic plan; deposits from the public grew by 8.1% over the second quarter of 2018; balance sheet total grew by 7.1% over the corresponding period last year; and shareholder equity grew by 12.5%, or by more than NIS 1.7 billion.

Revenues have also been highly impressive: Total revenues reached a quarterly record of over NIS 2 billion, 9.6% higher than in the corresponding period last year, with financing revenues in the second quarter up by 10.7% over the year-ago period, at over NIS 1.6 billion.

This accelerated business growth is evident not only in results for the second quarter and for the first six months, but also in the Bank achieving its multi-annual plan at a faster pace. Based on a strategy of growth and competition, Mizrahi-Tefahot has successfully increased its market share of loans and deposits, maintained its leadership position in mortgages, increased its business focus, further expanded its branch network and recruited more and more new clients, both individuals and businesses, across all demographics.

The high-quality cost-income ratio of 53.6%, achieved by the Bank as early as the first half of 2019, is further proof that Mizrahi-Tefahot is efficiently managed on daily basis, with efficiency well integrated into the Bank's organizational culture.

Following several quarters with no dividend distributions, the Bank resumes sharing its earnings with share holders. In accordance with a Board of Directors resolution, the Bank would distribute dividends amounting to NIS 392 million with respect to earnings of the first half of 2019", says **Bank President & CEO, Eldad Fresher**.

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

Major balance sheet items

	June 30, 2019	June 30, 2018	Rate of change In %
Loans to the public, net	200,728	187,055	7.3
Deposits from the public	205,188	189,900	8.1
Shareholder equity attributable to equity holders of the Bank	15,740	13,986	12.5
Balance sheet total	264,223	246,593	7.1

Profit and profitability

	Second quarter of 2019	Second quarter of 2018	Rate of change In %
Total financing revenues before expenses with respect to credit losses	1,632	1,474	10.7
Commissions and other revenues	395	375	5.3
Total revenues	2,027	1,849	9.6
Expenses with respect to credit losses	99	90	10.0
Operating and other expenses	1,011	⁽¹⁾ 1,325	(23.7)
Net profit attributable to shareholders of the Bank	576	⁽¹⁾207	178.3

Key financial ratios (in percent)

	June 30, 2019	June 30, 2018
Key performance benchmarks		
Net profit return on equity:		
For the second quarter	15.8	⁽¹⁾ 6.1
For the six months ended	13.3	⁽¹⁾ 8.1
Deposits from the public to loans to the public, net	102.2	101.5
Ratio of Tier I capital to risk components	10.23	9.95
Leverage ratio	5.67	5.38
(Quarterly) liquidity coverage ratio	118	120
Cost-income ratio:		
For the second quarter	49.9	⁽¹⁾ 71.7
For the six months ended	53.6	⁽¹⁾ 65.9
Additional information		
Share price (in NIS) as of June 30	82.00	67.17

(1) In the second quarter of 2018, operating and other expenses included a provision amounting to NIS 425 million with respect to the investigation by the US DOJ.

The Bank's aforementioned net profit and financial ratios, excluding the effects of the investigation, i.e. excluding the aforementioned provision, taking into account the provisions for bonus payments in line with profitability from business operations in that period and related tax expenses, amounted to:

Net profit in the second quarter of 2018:	NIS 472 million.
Net profit in the first half of 2018:	NIS 815 million.
Annualized return on equity in the second quarter of 2018:	14.1%.
Annualized return on equity in the first half of 2018:	12.0%.
Operating expenses to total revenues in the second quarter of 2018:	53.2%.
Operating expenses to total revenues in the first half of 2018:	55.9%.