

Return on equity in the third quarter of 2020: 9.5%

Return on equity in the first nine months: 9.0%

Financing revenues in the third quarter: NIS 1,518 million
Compared to NIS 1,361 million in the corresponding period
in 2019

11.5% growth

Total revenues in the third quarter: NIS 1,925 million
Compared to NIS 1,761 million in the corresponding period
last year

9.3% increase

Net profit in the third quarter: NIS 387 million
Compared to NIS 422 million in the corresponding period
last year

8.3% decrease

Net profit in the first nine months: NIS 1,104 million
Compared to NIS 1,402 million in the corresponding period
last year

21.3% decrease

Cost-income ratio:

In the third quarter of 2020: 50.8%

In the first nine months of this year: 52.0%

Increase in market shares due to acquisition of Union Bank

After completion of the transaction to acquire Union Bank at the end of September, data of Union Bank's balance sheet are included, for the first time, on the Bank's financial statements for the third quarter of 2020.

In conformity with the rationale underlying the transaction to acquire the sixth largest bank in Israel, the joining of Union Bank allows Mizrahi-Tefahot Group to make a significant step forward in various operating areas, while improving the mix of sources and utilizations and increased competitiveness.

According to data for the banking system as of June 30, 2020, the joining with Union Bank increases Mizrahi-Tefahot Group's overall market share of credit and deposit operations in the banking system by 2.5%.

Union Bank's lending operations in the various segments diversifies Mizrahi-Tefahot's lending mix, in conformity with the Bank's strategic targets, in particular with regard to credit to the business segment, where the Bank's market share on consolidated basis increased to 12%.

Housing loans as percentage of the Bank's total loan portfolio, after acquisition of Union Bank, decreased by 3% to 63%, with a similar increase in the commercial portfolio, of which a 1% increase in loans to individuals.

Continued growth in major balance sheet items

Data for the first nine months of 2020 reflect continued growth in most balance sheet items, even **excluding Union Bank data**.

Thus, inter alia, compared to the end of the third quarter of the previous year, the Bank's credit portfolio increased by NIS 14.2 billion, to NIS 216.8 billion – an increase of 7.0%; The portfolio of deposits from the public increased by NIS 31.6 billion, to NIS 239.4 billion – an increase of 13.0% compared to the corresponding period last year; Total assets reached NIS 300.9 billion, an increase of 12.7% compared to the corresponding period last year; and shareholder equity increased to NIS 17.1 billion – an increase of 8.3%.

Moreover, commission revenues in the first nine months of this year amounted to NIS 1,199 million, an increase of 4.9% compared to the corresponding period in 2019.

On the other hand, reported results were negatively affected by several macro-economic events, including the following: CPI difference of 1.1% compared to the corresponding period last year (decrease by 0.6% in the first nine months of 2020, compared to increase by 0.5% in the corresponding period), which reduced financing revenues for the Bank by NIS 217 million between these two periods; lower interest rates in the USA and in Israel, and a significant increase by NIS 687 million in expenses with respect to credit losses - compared to the corresponding period in 2019, due to the uncertainty in the market with regard to the Corona Virus pandemic and in line with supervisory expectation.

Moshe Lari: Completion of the Union Bank transaction positions the Bank beyond its strategic targets for market share growth and increased business focus

"Completion of the transaction to acquire Union Bank helps the Bank in taking a significant step forward and increasing its share of the banking system, based on data for the second quarter, to 22% of loans to the public and to 18.6% of deposits from the public, beyond the targets of the current strategic plan. A new strategic plan for 2021-2025 will soon be brought to the Bank's Board of Directors for discussion and approval.

Inclusion of Union Bank's financial results in Mizrahi-Tefahot's financial statements resulted in improvement of the Bank's credit mix and in 12% increase in the Group's market share of business loans – in line with the strategic plan targets, while reducing the weight of housing loans in the Bank's overall loan portfolio. The acquisition of Union Bank strengthens the Bank's overall competitiveness and its capacity to optimally compete for financing of large, complex transactions.

Since Union Bank ceased being a public company and became a wholly-owned subsidiary of Mizrahi-Tefahot, the Bank's headquarters started a comprehensive effort designed to fully incorporate Union Bank operations into the Bank. At this stage, Union Bank continues to operate as usual and provides full service to its individual and business clients, in the same format as prior to completion of the acquisition transaction.

Despite highly challenging macro-economic conditions, including a negative CPI on aggregate, lower interest rates from central banks in Israel and in the USA and significant increase in expenses with respect to credit losses – due to the current uncertainty in the market due to the Corona Virus crisis – the Bank succeeded in achieving return on equity of 9.0% in the first nine months of this year, and to present a high-quality cost-income ratio of 52.0% thanks to control over expenses – better than the target we set for the Bank in the strategic plan and better than the cost-income ratio for the corresponding period last year.

The Bank ended the third quarter of 2020 with return on equity of 9.5% and an outstanding cost-income ratio of 50.8%, with continued growth in loan and deposit portfolios and increase in financing and commission revenues.

Providing continuous and available banking service during a pandemic outbreak is a fairly complex challenge. Despite all of the challenges and restrictions, our thousands of dedicated employees and managers continue to implement the Bank's unique service concept and provide our clients with personal, professional service at our branches and through diverse other channels. This is done in order to provide them with customized tools and solutions that would help them come through this period in optimal form.

Bank Yahav, of Mizrahi-Tefahot Group, continues to show strength and to post impressive performance. Despite the implications of the Corona Virus crisis, Bank Yahav reported net profit amounting to NIS 130 million in the first nine months of this year, with remarkable return on equity at 10.9% – which is a testimony for the quality of its loan portfolio", says **Bank President & CEO Moshe Lari**.

Mizrahi-Tefahot Ltd.
Highlights of condensed financial statements
As of September 30, 2020 – NIS in millions

Major balance sheet items

	September 30, 2020 Including Union Bank	September 30, 2020 Excluding Union Bank	September 30, 2019	Rate of change in % Excluding Union Bank
Loans to the public, net	241,765	216,777	202,578	7.0
Deposits from the public	276,156	239,403	207,832	15.2
Shareholder equity (attributable to equity holders of the Bank)	18,272	17,065	15,755	8.3
Balance sheet total	347,050	300,884	267,001	12.7

Profit and profitability

	Third quarter of 2020	Third quarter of 2019	Rate of change in %
Total financing revenues before expenses with respect to credit losses	1,518	1,361	11.5
Commissions and other revenues	407	400	1.8
Total revenues	1,925	1,761	9.3
Expenses with respect to credit losses	317	70	–
Operating and other expenses	977	998	(2.1)
Net profit attributable to shareholders of the Bank	387	422	(8.3)

Key financial ratios (in percent)

	September 30, 2020	September 30, 2019
Key performance benchmarks		
Net profit return on equity ⁽¹⁾		
For the third quarter	9.5	11.1
For nine months	9.0	12.4
Deposits from the public to loans to the public, net ⁽²⁾	114.2	102.6
Ratio of Tier I capital to risk components ⁽²⁾	9.98	10.13
Leverage ratio ⁽²⁾	5.23	5.62
(Quarterly) liquidity coverage ratio ⁽¹⁾	128	122
Cost-income ratio ⁽¹⁾ :		
For the third quarter	50.8	56.7
For nine months	52.0	54.6

Additional information

Share price (in NIS) as of September 30	60.74	86.40
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(1) Data for the period ended September 30, 2020 exclude the effect of Union Bank, whose results would be included in profit and loss as from the fourth quarter of 2020.

(2) Consolidated balance sheet data as of September 30, 2020 include Union Bank.