

ANNUAL REPORT
PRESS RELEASE
2020



Advanced banking for people, by people.

March 9, 2021

Net profit in 2020: NIS 1,610 million*

Return on equity in 2020: 9.5%

Cost-income ratio: 53.9%

Net profit in the fourth quarter: NIS 506 million**

Return on equity in the fourth quarter: 11.4%

**Loans to the public (excluding Union Bank):
7.9% increase
compared to end of 2019**

**Deposits from the public (excluding Union Bank):
17.0% increase
compared to end of 2019**

* Annual net profit, excluding the effect of Union Bank, amounted to NIS 1,543 million, compared to NIS 1,842 million in 2019 – decrease of 16.2%

** Net profit for the quarter, excluding the effect of Union Bank, amounted to NIS 439 million, compared to NIS 440 million in the corresponding period – decrease of 0.2%

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Proactive and effective support to clients in view of the Corona Virus crisis

Since the outbreak of the Corona Virus crisis, the Bank acted swiftly to identify those clients, individuals and businesses, impacted by the crisis – and to provide them with customized solutions to help them get through these challenging times.

Back in March 2020, the Bank offered a 4 months deferral option to mortgage clients who needed that. Later on, the Bank operated in accordance with the Bank of Israel outlines and granted further deferrals to those facing challenges in returning to regular repayments.

Such arrangements were also made with businesses and households that struggled to repay consumer loans, due to implications of the crisis and of the significant, rapid increase in unemployment. Thanks to these aid programs and to a certain improvement in economic activity in the market – concurrently with vaccination campaign progress, **a clear trend of clients resuming regular repayments is evident.**

Out of mortgage loans amounting to NIS 45.6 billion, which were granted deferrals as from March 2020, by January 31, 2021 loans valued at NIS 42.6 billion resumed repayment, of which loans valued at NIS 5.5 billion are being repaid under the reduced repayment track. Only NIS 3 billion of loans, or less than 2.0% of the Bank's total mortgage portfolio, are still subject to full deferral, expected to end by June 2021.

As for commercial loans, out of total deferrals granted during the year to loans valued at NIS 7.7 billion, as of January 31, 2021, total loans subject to deferrals decreased to NIS 1.3 billion, of which NIS 0.6 billion for periods longer than six months.

Other than the option to defer loan repayments, the Bank was an active, prominent participant in the State-guaranteed Corona Virus funds: as of December 31, 2020, the Bank extended loans to businesses amounting to NIS 5.1 billion within these funds. Based on data as of the end of February 2021, the Bank's share of such loans is 23% of total loans granted by these funds.

Increase in Group market share, due to completion of the Union Bank transaction

After the completion of the transaction to acquire Union Bank shares it became a wholly-owned subsidiary of Mizrahi-Tefahot, in the third quarter of this year Union Bank's balance sheet was consolidated into the Group's balance sheet, and in the fourth quarter, Union Bank's income statement was consolidated for the first time.

Already at this stage, even prior to the expected benefits for the Group from conversions and synergies of the various operations, the inclusion of Union Bank contributes to increased market share of Mizrahi-Tefahot Group in the banking system. According to banks data at the end of the third quarter, Mizrahi-Tefahot's share of loans to the public increased to 22.0%, and the Bank's share of deposits from the public increased to 18.6%.

The Union Bank merger process is underway and would be a gradual one, to ensure that conversion of clients and business activity from Union Bank to the Bank would be optimal.

Moshe Lari: Bank results for 2020 reflect continued growth in diverse operating segments, along with implications of the Corona Virus crisis and the macro-economic environment

"Financial results for 2020 reflect continued growth of the Bank, in diverse operating segments, along with implications of the Corona Virus crisis, primarily the significant increase in expenses with respect to credit losses and the impact of the near-zero interest rate and inflation environment. The Bank's success, even in this complicated and challenging year, in achieving an annual profit of NIS 1,610 million, reflecting a Return on Equity of 9.5% and a quarterly profit of NIS 506 million, reflecting a Return on Equity of 11.4%, is not to be taken for granted, and was achieved due to the outstanding effort and commitment of our thousands of devoted employees and managers.

The growth momentum is reflected in most balance sheet items, even before the effect of Union Bank. Thus, *inter alia*, at the end of 2020 total assets of the Bank amounted to NIS 312 billion, compared to NIS 273 billion at the end of 2019 – an increase of 14.3%; Loans to the public increased to NIS 221 billion, compared to NIS 205 billion at the end of 2019 – an increase of 7.9%; Deposits from the public increased by 17.0%, from NIS 211 billion at the end of 2019 to NIS 247 billion at the end of 2020.

Expansion of current operations was reflected by an increase of 1.9% in financing revenues, excluding the effect of Union Bank, despite lower interest rates in Israel and in the USA during the year. Revenues from commissions, excluding the effect of Union Bank increased in 2020 by 4.9% compared to 2019.

At the same time, the Bank maintained its level of operating expenses, and therefore as of the end of 2020, Mizrahi-Tefahot has an outstanding cost-income ratio of 52.7% (excluding the effect of Union Bank,).

In line with the key target of the strategic plan, the Bank continues to increase its business focus, with accelerated growth in loans to diverse businesses. In 2020, the business loan portfolio, excluding Union Bank, increased by 14.3% compared to the previous year. Concurrently, Mizrahi-Tefahot maintained its leadership position in housing loans in 2020, a year with record mortgage originations in the market amounting to NIS 79 billion. This, was done while adhering to a conservative and responsible underwriting process.

Growth and improvement in business activity at Bank Yahav in recent years was also evident in 2020. Despite the Corona Virus crisis and decline in economic activity in the market, in 2020 Bank Yahav recorded a net profit of NIS 183.1 million, compared to a net profit of NIS 167.1 million in 2019, an increase of 9.6%. This profit reflects a very high Return on Equity, of 11.2%", said **Mizrahi-Tefahot President & CEO Moshe Lari**.

Mizrahi-Tefahot Ltd.
Highlights of financial statements
As of December 31, 2020 – NIS in millions

Profit and profitability

		All of	Rate of
	2020	2019	change
			In %
Total financing revenues before expenses with respect to credit losses	6,041	5,697	6.0
Commissions and other revenues	1,892	1,609	17.6
Total revenues	7,933	7,306	8.6
Expenses with respect to credit losses	1,050	364	–
Operating and other expenses	4,279	3,988	7.3
Net profit attributable to shareholders of the Bank	1,610	1,842	(12.6)
Net profit attributable to shareholders of the Bank (fourth quarter)	506	440	15.0

Major balance sheet items

	December 31,		Rate of
	2020	2019	change
			In %
Loans to the public, net	245,525	204,708	19.9
Deposits from the public	284,224	210,984	34.7
Shareholder equity attributable to equity holders of the Bank	18,804	16,033	17.3
Balance sheet total	360,140	273,244	31.8

Key financial ratios (in percent)

	December 31,	
	2020	2019

Key performance benchmarks

Net profit return on equity:		
For the year	9.5	11.9
For the fourth quarter	11.4	11.5
Deposits from the public to loans to the public, net	115.8	103.1
Ratio of Tier I capital to risk components	10.04	10.14
Leverage ratio	5.19	5.55
(Quarterly) liquidity coverage ratio	133	121
Cost-income ratio:	53.9	54.6

Additional information

Share price (in NIS) as of December 31	74.25	92.00
Dividends per share (in Agorot)	75	178



מזרחי טפחות
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