

BUSINESS RESULTS FOR THE FIRST QUARTER

PRESS RELEASE 1

2021



Advanced banking for people, by people.

May 19, 2021

Net profit in first quarter: NIS 676 million

Compared to NIS 357 million in the corresponding period last year

89.4% increase

Return on equity: 14.9%

Compared to 9.1% in the corresponding period and 9.5% for FY 2020

Financing revenues in the first quarter*: NIS 1,880 million

Compared to NIS 1,411 million in the first quarter of 2020

33.2% increase

Loans to the public in the first quarter: NIS 249.5 billion

An increase of 1.6% compared to end of 2020

Deposits from the public in the first quarter:

NIS 293.8 billion

An increase of 3.4% compared to end of 2020

Cost-income ratio: 55.3%

* Excluding Union Bank, financing revenues in the first quarter amounted to NIS 1,618 million, an increase of 14.7% compared to the corresponding period last year.

Challenging strategic plan for 2021-2025 launched

Further to the Bank's achievements in recent years, and in light of the changes in the banking system and in the business environment, the Bank launched in late April a new strategic plan for 2021-2025.

This plan is based on multiple key components, including the following: positioning the Bank as a major player in Business Banking, establishing Mizrahi-Tefahot's leadership position among households, provision of personal human banking services supported by advanced digital technology, Adjusting the Operational Model to the Challenges of Future Banking, improving Operational Efficiency and leveraging Union Bank merger to create operational and business synergy. Based on these pillars, the Bank intends to achieve several key targets: Increase Mizrahi Tefahot's market share in the banking system by the end of 2025 to 24% in loans to the public and to 20% in deposits from the public; maintain high operational efficiency throughout the plan period, achieving a cost-income ratio of below 50% by 2025; achieving double-digit return on equity in the coming years, reaching 14% by 2025 – assuming the macro-economic environment would remain as it currently is. Should interest rates and inflation increase, the return on equity at the end of the plan period may be even higher. The Bank's Board of Directors would monitor the plan's execution, in order to consider potential increase of dividend distribution to investors, from 40% of net profit, up to 50%, subject to the approval of the Supervisor of Banks.

Mizrahi Tefahot mortgage representatives at Union Bank branches

The transaction to acquire Union Bank was completed in late September 2020, after which Union Bank became a wholly-owned subsidiary of Mizrahi Tefahot. As from the third quarter of 2020, balance sheet data for Union Bank are included on the Group's financial statements, and as from the fourth quarter, profit and loss data for Union Bank are also consolidated.

The transition process of clients and business operations from Union Bank to Mizrahi Tefahot is under way and shall be conducted gradually, so as to retain service continuity and to ensure a convenient, smooth transition experience for Union Bank clients who join Mizrahi Tefahot.

On March 25, 2021 a collective agreement which governs the retirement of Union Bank employees, not designated to be incorporated within Mizrahi Tefahot, was signed. According to the agreement, the retirement process would be gradual, concurrently with the transition process, during which period these employees would continue to provide regular service to Bank clients.

According to the merger plan, concurrently with transition of clients and business activity, closure of the majority of Union Bank branches is planned. At Union Bank branches that would not be closed, but rather would eventually transition into Mizrahi Tefahot branches, mortgage representatives desks of Mizrahi Tefahot have been recently opened, to help more clients gain exposure to the leading mortgage brand in Israel.

Moshe Lari: Bank results in the first quarter reflect further growth in operations volume and gradual emergence of the economy from the Corona Virus crisis

"Bank data for the first quarter of 2021: Net profit of NIS 676 million and return on equity of 14.9%, are the outcome of further growth in operations, Union Bank joining Mizrahi Tefahot Group and the gradual emergence of the economy from the Corona Virus crisis.

Thus, inter alia, the Bank's financing revenues in the first quarter, excluding Union Bank, amounted to NIS 1,618 million, an increase by 14.7% compared to the corresponding period last year. In key balance sheet items, including total assets, loans to the public and deposits from the public, the Bank continued its consistent, continuous growth, despite the lock-down during the first quarter. Total assets in the first quarter amounted to NIS 370.4 billion, an increase of 2.9% compared to the end of 2020; loans to the public amounted to NIS 249.5 billion, an increase of 1.6% compared to the end of the fourth quarter of 2020; and deposits from the public in the first quarter amounted to NIS 293.8 billion, an increase of 3.4% compared to the end of the previous year.

Unlike the first quarter of 2020, which saw great uncertainty due to the Corona Virus outbreak – and consequently, significant increase in expenses with respect to credit losses on group basis in the banking system, the first quarter of 2021 saw gradual recovery in economic activity. This is due to the impressive success of the vaccination campaign in Israel and the consistent decline in morbidity. Consequently, in the first quarter of this year total expenses with respect to credit losses were more moderate, with gradual attribution of the group-based provision to specific areas and borrowers.

Further to the re-organization of the Bank's international operations, early in the first quarter an agreement was signed for sale of Mizrahi Tefahot Bank in Switzerland to Hyposwiss bank of Geneva, for CHF 44 million (NIS 160 million). This would allow Mizrahi Tefahot to concentrate its international operations at Bank branches in London and in Los Angeles, and to focus on business banking in the UK and in the USA, in synergy with operations of the Business Division in Israel.

In late March, the Bank conducted its first international Tier 2 issuance, which raised USD 600 million from institutional investors in the USA, Europe and Asia. The impressive success of this issuance would help diversify future sources for the Bank, and would increase its exposure to overseas investors", said Bank President & CEO, Moshe Lari.

Mizrahi-Tefahot Ltd.
Highlights of condensed financial statements
As of March 31, 2021 – NIS in millions

Major balance sheet items

	March 31		Rate of change
	2021	2020	in %
Loans to the public, net	249,539	210,230	18.7%
Deposits from the public	293,766	223,189	31.6%
Shareholder equity attributable to equity holders of the Bank	19,422	16,371	18.6%
Balance sheet total	370,410	284,731	30.1%

Profit and profitability

	First Quarter		Rate of change
	2021	2020	in %
Total financing revenues before expenses with respect to credit losses	1,880	1,411	33.2%
Commissions and other revenues	543	529	2.6%
Total revenues	2,423	1,940	24.9%
Expenses with respect to credit losses	13	345	–
Operating and other expenses	1,341	1,017	31.9%
Net profit attributable to shareholders of the Bank	676	⁽¹⁾ 357	89.4%

Key financial ratios (in percent)

	March 31	
	2021	2020
Key performance benchmarks		
Net profit return on equity	14.9	⁽²⁾ 9.1
Deposits from the public to loans to the public, net	117.7	106.2
Ratio of Tier I capital to risk components	10.15	9.89
Leverage ratio	5.16	5.40
(Quarterly) liquidity coverage ratio	133	117
Cost-income ratio:	55.3	⁽³⁾ 52.4
Additional information		
Share price (in NIS) as of March 31	87.14	66.23

(1) Net profit excluding revenues from agreement with insurers: NIS 303 million.

(2) Return on equity (excluding the aforementioned revenues): 7.7%.

(3) Cost-income ratio (excluding the aforementioned revenues): 54.7%.



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