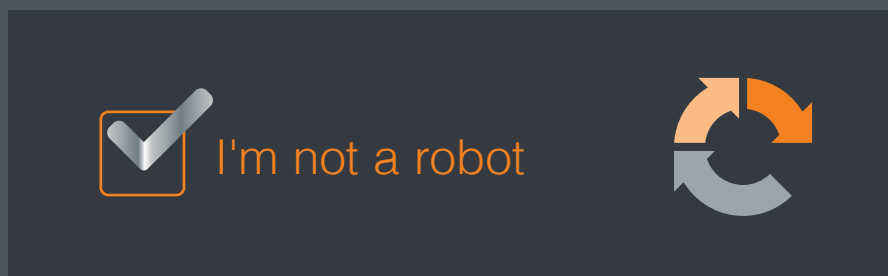


ANNUAL REPORT
PRESS RELEASE
2021



Advanced Banking Between People

March 1, 2022

Net profit in 2021: NIS 3,188 million
compared to NIS 1,610 million in 2020
98.0% growth

Return on equity in 2021: 15.8%
Compared to 9.5% in 2020

Total financing revenues excluding Union Bank:
NIS 7,164 million
compared to NIS 5,806 million in 2020
23.4% growth

Cost-income ratio: 54.0%

Net profit for the fourth quarter: NIS 679 million
Compared to NIS 506 million in the corresponding
period last year
34.2% increase

Dividends to be distributed: NIS 271.6 million
40% of the net profit of the fourth quarter of 2021

Record profit amid continued growth in activity, along with contribution of Union Bank and decrease in provisions for credit losses

Results for 2021 are spear headed by net profit amounting to NIS 3,188 million, reflecting a 15.8% return on equity, are an unprecedented record for Mizrahi-Tefahot – achieved thanks to a combination of these key factors:

Continued growth in Bank activity – In 2021, the Bank recorded growth in most balance sheet items: Loans to the public amounted to NIS 271.4 billion, an increase of 10.6% compared to 2020; deposits from the public amounted to NIS 307.9 billion, an increase of 8.3% over the previous year; total assets at the end of this year amounted to NIS 392.3 billion, up 8.9% from 2020; and shareholder equity reached NIS 20.8 billion, an increase of 10.5% compared to 2020.

Contribution of the Union Bank acquisition transaction – On September 30, 2020, the Union Bank acquisition transaction was completed, and since then Union Bank has been a wholly-owned subsidiary of the Bank. In 2021, Union Bank's contribution to profit of Mizrahi-Tefahot Group amounted to NIS 169 million. In addition, the Bank recognized net profit amounting to NIS 216 million from deferred credit balance with respect to acquisition of Union Bank. This balance is recognized on the Group's profit and loss statement over 5 years as from the fourth quarter of 2020.

Decrease in provisions for credit losses – Due to the Corona Virus outbreak in the first quarter of 2020, the Bank recorded relatively high expenses with respect to credit losses, amounting to NIS 1,050 million, which included expenses with respect to collective provisions due to the Corona Virus crisis. In view of improved health conditions and economic recovery, in 2021 the Bank recorded revenues amounting to NIS 278 million due to decrease in expenses with respect to credit losses, as a result of a decrease in collective provisions.

Extraordinary operating in view of record demand for mortgages

In 2021, the residential real estate sector and the mortgage market showed unprecedented activity, reflected in record residential mortgage origination amounting to NIS 116 billion.

Due to the sharp increase in client enquiries, the Bank – which is the largest player in this sector – was required to make extraordinary operating preparations and develop advanced tools, such as Tefahot Touch, an innovative app that allows clients to conduct most of the loan process remotely, with close assistance from their personal banker. The Bank's mortgage bankers succeeded in providing optimal service under excessive workloads, which is a testament to their professional expertise, allowing the Bank to retain its leadership position in this sector.

In total in 2021, the Bank originated new loans and re-financed loans amounting to NIS 46.2 billion, compared to NIS 31.8 billion in 2020, a sharp increase of 45%. The number of borrowers, including re-financing, was slightly over 70 thousand, compared to nearly 53 thousand in 2020, an increase of 32.6%. This intensive activity was carried out with strict adherence to underwriting quality and while maintaining an especially low risk profile of the mortgage portfolio.

Moshe Lari: Further growth in Bank business in view of economic recovery from the Corona Virus crisis and contribution of Union Bank resulted in record profit in 2021

"In 2020 we saw the Corona Virus crisis and contraction in economic activity locally and world-wide, which impacted the performance of the banking system and other business enterprises. The decrease in morbidity and success of the vaccination campaign brought a positive turn, and since early 2021 we saw rapid recovery in economic activity and in the business sector. On this backdrop, the Bank successfully achieved impressive growth in diverse areas which, along with contribution of the Union Bank transaction, were the major factors resulting in record profit in 2021.

Growth momentum at Mizrahi-Tefahot was reflected by growth in most balance sheet items: Loans to the public increased by 10.6% compared to 2020, with business loans growing by 9.4%, in line with the strategic plan targets; deposits from the public increased by 8.3% and total assets increased by 8.9% compared to the previous year. Financing revenues, excluding Union Bank, increased sharply by 23.4% over 2020, and financing revenues from current operations increased by 9.6% over the previous year.

In April 2021, the Bank announced a new strategic plan for 2021-2025, including specific targets for market shares, efficiency and profitability, consisting of multiple key pillars including the following: Turning Mizrahi-Tefahot into a key player in business banking, establishing Mizrahi-Tefahot's leadership among households in general and in mortgages in particular, reinforcing the Bank's unique service concept incorporating a personal banker and a range of advanced digital channels, and leveraging the Union Bank merger to generate operating synergies.

Activity to merge Union Bank and to transition Union Bank clients to Mizrahi-Tefahot continued throughout the year, with the intention of accelerating this process, to be concluded by end of 2022, while ensuring an easy, user-friendly transition experience and with continuous, regular service provided to Union Bank clients whose branches are still in operation.

The economy returning to business as usual mode and the strong activity in the real estate market resulted in an unusual load throughout the year on the Bank's service infrastructure (in particular for mortgages). Thanks to our dedicated employees, we managed to overcome the significant increase in enquiries, to provide optimal service to clients, and consequently to produce extraordinary profits – for which all Bank employees deserve praise and many thanks.

Mizrahi-Tefahot is resuming its dividend policy, and will distribute to shareholders a dividend amounting to NIS 271.6 million, 40% of profits in the fourth quarter of this year. This is in addition to two dividend distributions already conducted in 2021: NIS 483 million, or 30% of Bank profit of 2020, and NIS 752.7 million, or 30% of Bank profit for the first nine months of 2021, which is a cumulative NIS 1.5 billion in dividend distributions, said **Bank President & CEO Moshe Lari**.

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

Profit and profitability

		All of	Rate of change
	2021	2020	in %
Total financing revenues before expenses with respect to credit losses	8,086	6,041	33.9
Commissions and other revenues	2,234	1,892	18.1
Total revenues	10,320	7,933	30.1
Expenses with respect to credit losses	(278)	1,050	–
Operating and other expenses	5,568	4,279	30.1
Net profit attributable to shareholders of the Bank	3,188	1,610	98.0
Net profit attributable to shareholders of the Bank (fourth quarter)	679	506	34.2

Major balance sheet items

		December 31,	Rate of change
	2021	2020	in %
Loans to the public, net	271,428	245,525	10.6
Deposits from the public	307,924	284,224	8.3
Shareholder equity attributable to equity holders of the Bank	20,770	18,804	10.5
Balance sheet total	392,271	360,140	8.9

Key financial ratios (in percent)

	December 31,	
	2021	2020

Key performance benchmarks

Net profit return on equity:

For the year	15.8	9.5
For the fourth quarter	13.5	11.4
Deposits from the public to loans to the public, net	113.4	115.8
Ratio of Tier I capital to risk components	10.04	10.04
Leverage ratio	5.18	5.19
Liquidity coverage ratio (Quarterly)	125	133
Cost-income ratio	54.0	53.9

Additional information

Share price (in NIS) as of December 31	120.00	74.25
Dividends per share (in Agorot)	482	75



מזרחי תפחות
MIZRAHI TEFAHOT

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