

BUSINESS RESULTS FOR THE FIRST QUARTER

PRESS RELEASE 1

2022



I'm not a robot



Advanced Banking Between People

May 24, 2022

Net profit in the first quarter: **NIS 1,154 million**

Compared to NIS 676 million in the corresponding period last year

Increase of 70.7%

Return on equity in the first quarter: ***21.9%**

Compared to 14.1% in the corresponding period and 15.8% for 2021

Financing revenues in the first quarter: **NIS 2,261 million**

Compared to NIS 1,880 million in the first quarter of 2021

Increase of 20.3%

Outstanding growth in credit to the public:

NIS 282.9 billion for Q1

Increase of 13.4% compared to the corresponding period last year

In the first quarter, the loan portfolio increased by NIS 11.5 billion

Similar to the average annual performance in 2015-2020**

Cost Income Ratio*: 43.2%**

* Excluding capital gain from realized properties amounting to NIS 279 million, return on equity is 16.6%

** Excluding Union Bank credit

** Excluding the aforementioned capital gain, cost-income ratio in the first quarter is 48.8%

For additional information, Bank Spokesman: 03-7559227 shoukron_b@umtb.co.il

Accelerated credit growth, while proactively managing the Bank's capital

In line with improvements in the local economy in the first quarter of 2022, and despite the Omicron outbreak in January, an accelerated growth in credit to the public was recorded.

As of the end of the first quarter, total credit amounted to NIS 283 billion, compared to NIS 249.5 billion at the end of the corresponding period – an increase of 13.4%. The portfolio growth was evident in most segments both in retail and business operating segments, which posted double-digit growth. Thus, *inter alia*, at the end of the first quarter of this year, credit to large businesses amounted to NIS 25.6 billion, an increase of 23.2% over the corresponding period; credit to medium businesses reached NIS 11.4 billion – an increase of 17.3% compared to end of the first quarter of 2021; and housing loans at the end of the first quarter of this year amounted to NIS 181 billion – an increase of 14.2% compared to the corresponding period last year.

Concurrently, the Bank continues to take diverse actions with regard to capital management in order, *inter alia*, to support its activity growth momentum. In this regard, in March the Bank signed an innovative transaction to insure a housing loans portfolio, amounting to NIS 3.7 billion, with an international re-insurer who is among the top 10 re-insurers world-wide. Through this move, which is unprecedented in the Israeli banking system, the Bank released additional capital for various other requirements and utilizations.

Implementation of the Union Bank merger plan and its contribution to Group's profit

Since September 30, 2020, the completion date of the Union Bank acquisition transaction, the Bank has been acting to execute the merger of Union Bank into Mizrahi Tefahot, in accordance with a specified plan prepared for this purpose. To date, 16 of 35 Union Bank branches have been closed and tens of thousands of customers have been transitioned to Mizrahi Tefahot branches, in a move carried out jointly by teams from both banks, to ensure a smooth, friendly transition. Until the completion of this merger, planned for end of 2022, additional 11 branches would be closed, so that upon conclusion of this process 8 Union Bank branches would remain, primarily in locations where Mizrahi Tefahot currently has no banking presence. Concurrently, the retirement plan is carried out for Union Bank employees not planned to be absorbed by Mizrahi Tefahot, as set forth in the special collective agreement signed last year at Union Bank. Employee retirement is gradual, in line with the branch integration, to maintain service continuity at Union Bank through completion of the merger.

Concurrently, even prior to completion of the merger and to benefiting from synergies and improved efficiency, Union Bank continues to contribute to Group profit – even beyond early estimations. In the first quarter of this year, Union Bank contribution amounted to NIS 212 million, primarily consisting of capital gains from realized properties. This, in addition to current profit from the Bank acquisition transaction.

Moshe Lari: Bank results in the first quarter of 2022 indicate accelerated growth in view of continued economic recovery

"Reported results for the first quarter of 2022 reflect an all-time record: Net profit of NIS 1,154 million and outstanding return on equity at 21.9%. Even excluding extra-ordinary capital gains, amounting to NIS 279 million net, with respect to realized properties, the Bank posted remarkable net profit and return on equity, indicating an accelerated growth trend beyond the typical pace experienced by the Bank in recent years, as well as expansion across most operating segments.

The growth momentum, which is also in view of continued improvement in the economy in the first quarter of this year, is reflected across key balance sheet items, headed by credit to the public, which increased significantly by 13.4% over the corresponding period in 2021. In the first three months of this year, the credit portfolio grew by NIS 11.5 billion, 4.2% compared to end of 2021, reflecting an annualized growth rate of 16.9%. Growth in the credit portfolio was also evident in the mortgage segment – which continues to see strong demand and record performance – as well as in the business segments. Note, in this regard, that recently Mizrahi Tefahot was ranked by the Ministry of Economics and Industry as an "Outstanding Bank" in bank friendliness index for small and medium businesses.

As for revenues, an increase of 16.3% in financing revenues from current operations was robust, amounting to NIS 1,815 million in the first quarter, compared to NIS 1,560 million in the corresponding period last year. Commission revenues amounted to NIS 520 million, compared to NIS 477 million in the corresponding period last year, an increase of 9.0%. At the same time, the Bank was successful in maintaining discipline in expenses, with only a minor increase of 3.5% in operating and other expenses. These expenses amounted to NIS 1,388 million in the first quarter, compared to NIS 1,341 million in the first quarter of last year. This has allowed the Bank to achieve a high-quality cost-income ratio of 48.8%, excluding capital gain from realized properties.

As of the end of the first quarter, the Bank capital ratios meet the conditions for dividend distribution, in accordance with Bank policy. Due to the Supervisor of Banks' draft directive issued in March, whereby loans designated for purchase of land for development or construction, with an LTV higher than 75% of value of the acquired property, shall carry a risk weighting of 150%, instead of 100% – and the fact that should this be finalized, the directive would also apply retroactively, the Bank decided that at this point in time, it would be preferable not to distribute a dividend. This is in order to maintain sufficient capital to allow the Bank to further continue its growth momentum and to optimally address the growing demand for credit", **said Bank President & CEO Moshe Lari.**

Mizrahi Tefahot Ltd.
Highlights of condensed financial statements
As of March 31, 2022, NIS in millions

Key balance sheet items

	March 31		Rate of Change
	2022	2021	in %
Loans to the public, net	282,917	249,539	13.4
Deposits from the public	312,653	293,766	6.4
Shareholders' equity (attributable to shareholders of the Bank)	21,199	19,422	9.1
Total assets	394,045	370,410	6.4

Profit and profitability

	First quarter		Rate of Change
	2022	2021	in %
Total financing revenues before expenses with respect to credit losses	2,261	1,880	20.3
Commissions and other revenues	952	543	75.3
Total revenues	3,213	2,423	32.6
Expenses with respect to credit losses	79	13	–
Operating and other expenses	1,388	1,341	3.5
Net profit attributable to shareholders of the Bank	1,154	676	70.7

Key financial ratios (in percent)

	March 31	
	2022	2021
Key performance benchmarks		
Net profit return on equity	⁽¹⁾ 21.9	14.1
Deposits from the public to loans to the public, net	110.5	117.7
Ratio of Tier I equity to risk components	10.01	10.15
Leverage ratio	5.31	5.16
liquidity coverage ratio (Quarterly)	120	133
Cost-income ratio	⁽¹⁾ 43.2	55.3
Other information		
Share price (in NIS) as of March 31	125.20	87.14

(1) Excluding effect of capital gain, net from sale of assets, net profit return on equity in the first quarter of 2022 is 16.6% and the cost-income ratio is 48.8%..



מזרחי טפחות
MIZRAHI TEFAHOT

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