



MIZRAHI TEFAHOT

Financial Statements

September 2017





Disclaimer

- This document has been prepared by Mizrahi-Tefahot Bank Ltd (UMTB) solely for use at the company's presentation. The information contained in this document constitutes information from the bank's 2017 quarterly reports and/ or immediate reports, as well as the periodic, quarterly and annual reports and/or immediate reports published by the bank in previous years.
- Accordingly, the information contained in this document is only partial, is not exhaustive and does not include the full details regarding the bank and its operations or regarding the risk factors involved in its activity and certainly does not replace the information included in the periodic, quarterly or immediate reports published by the bank. In order to receive the full picture regarding the bank's 2017 quarterly reports, the aforesaid reports should be perused fully, as published to the public.
- None of the company, or any of their employees or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document.
- The bank's results in practice may be significantly different from those included in the forecasting information, as a result of a large number of factors, including, *inter alia*, changes in the domestic and global equity markets, macro-economic changes, geo-political changes, legislation and regulation changes, and other changes that are not under the bank's control, which may lead to the estimations not realizing and/or to changes in the business plans.
- The forecasting information may change subject to risks and uncertainty, due to being based on the management's estimations regarding future events, which include, *inter alia*: global and local economic development forecasts, particularly regarding the economic situation in the market, including the effect of macro-economic and geo-political conditions; expectations for changes and developments in the currency and equity markets; forecasts related to other various factors affecting exposure to financial risks; forecasts with respect to changes to borrowers' financial strength, public preferences, changes in legislation and the provisions of regulators, competitors' behavior, the status of the bank's perception, technological developments and human resources developments.
- This document does not constitute an offer to sell, or a solicitation of an offer to buy, or a recommendation of any kind regarding any security or any interest in security.



Facing new challenges and opportunities:

- **Possible acquisition and merger of Union Bank into Mizrahi Tefahot**
- **A new collective agreement 2016 - 2021**

“Mizrahi Tefahot Bank’s acquisition of Union Bank would be credit positive”*

“Union Bank is significantly weaker than Mizrahi as a brand and in terms of profitability and efficiency. The bank was loss making in 2016 and had a cost-to-income ratio (adjusted for one-offs) of around 85% during 2016, much weaker than Mizrahi’s cost-to-income ratio of 59%, the best among rated Israeli banks.

*Integrating Union bank’s employees with Mizrahi’s staff, which has a high-quality-of-service focus, will likely be difficult. Mizrahi ranks first in terms of customer satisfaction among Israeli banks. However, Mizrahi’s successful track record of merging banks into its business, such as the merger of Tefahot bank and the acquisition of a 50% stake in Bank Yahav from Bank Hapoalim, suggests the bank will likely be successful.”**

“Israel bank regulator signals support for Mizrahi – Union deal

- Merger would boost competition in Israel’s banking sector***
- Mizrahi hopes to take on Israel’s leaders in corporate lending”****

“We are for a merger between Mizrahi and Union. It will create a bank that will challenge Leumi and Hapoalim”**

* Bloomberg, August 9, 2017

** TheMarker, August 14, 2017



MOU regarding a new collective agreement

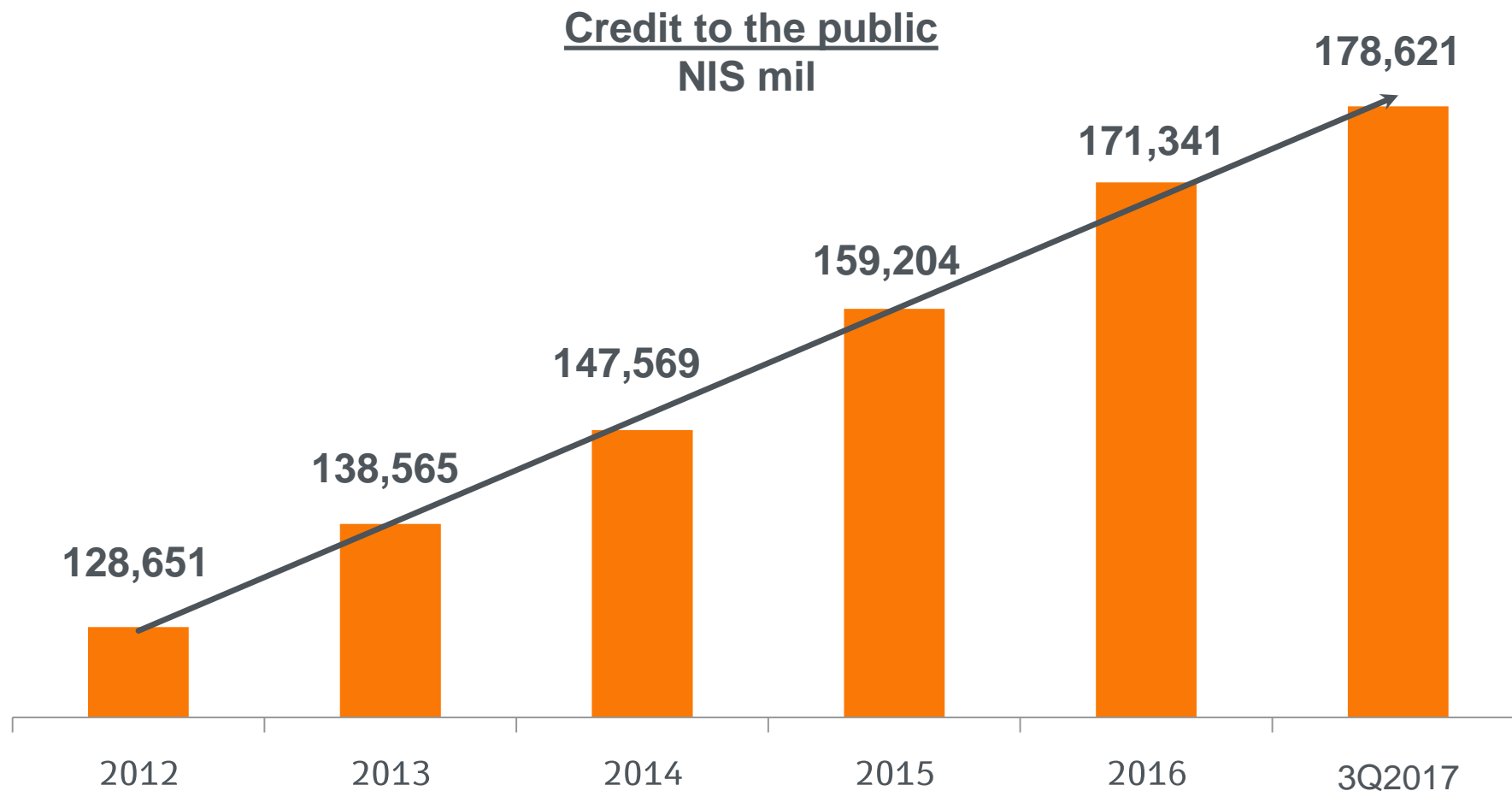
- **Synchronizing the agreement with the strategic plan – including industrial peace until end of 2021**
- **Full support for M&A's of banks in Israel**
- **For the first time in the Israeli banking system – part of the remuneration of all employees is linked to ROE goals**
- **For the first time in the bank – creating “second generation”:
with regards to veterancy - compensation of 3% (rather than 4%)
and expanding the transitional period to 7 years (rather than 5)**
- **Additional understandings creating even higher managerial flexibility**



**“It is all about
G R O W T H”**



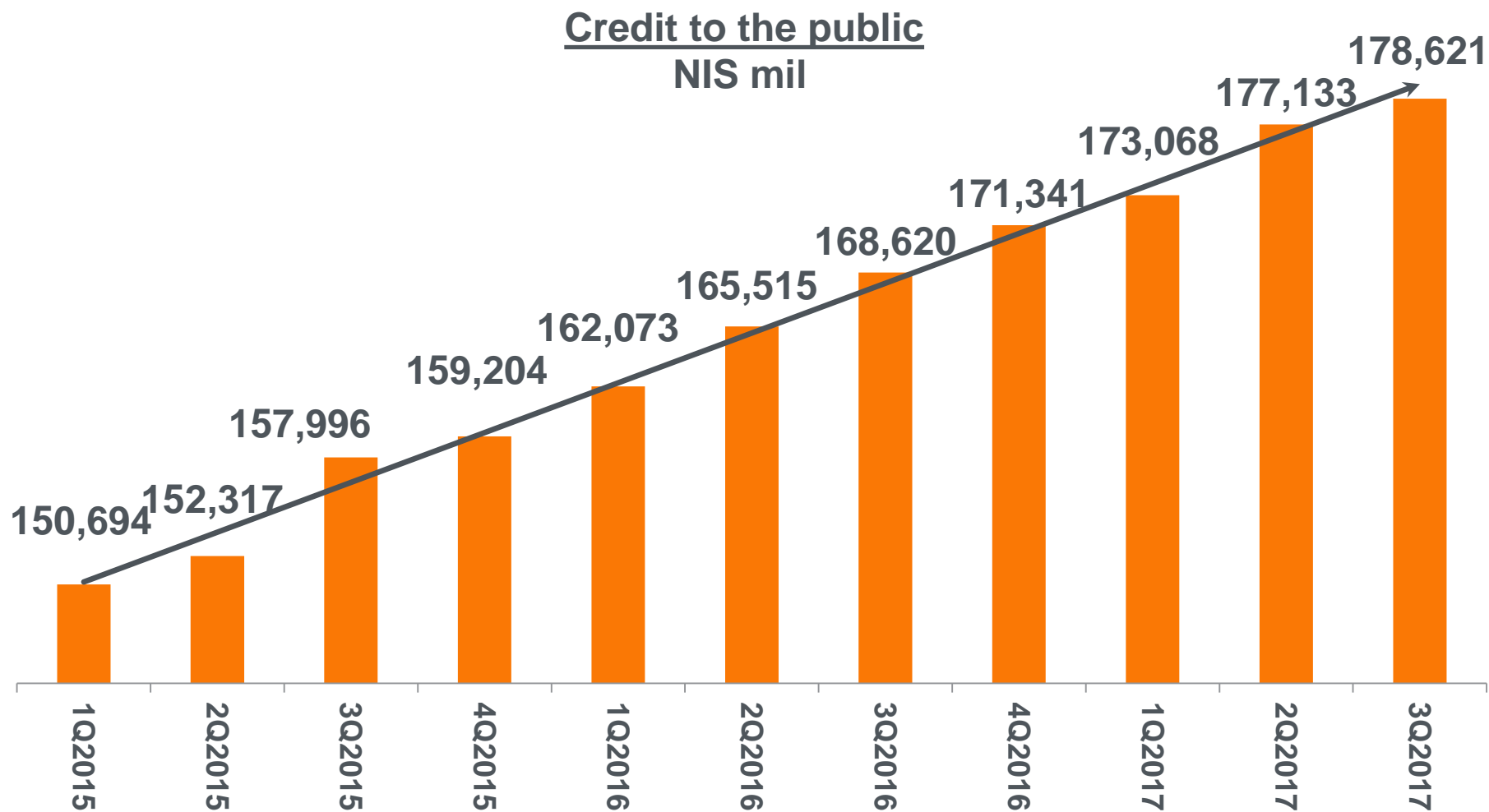
Continuous loan growth



Average annual growth rate 7.2%



Continuous loan growth





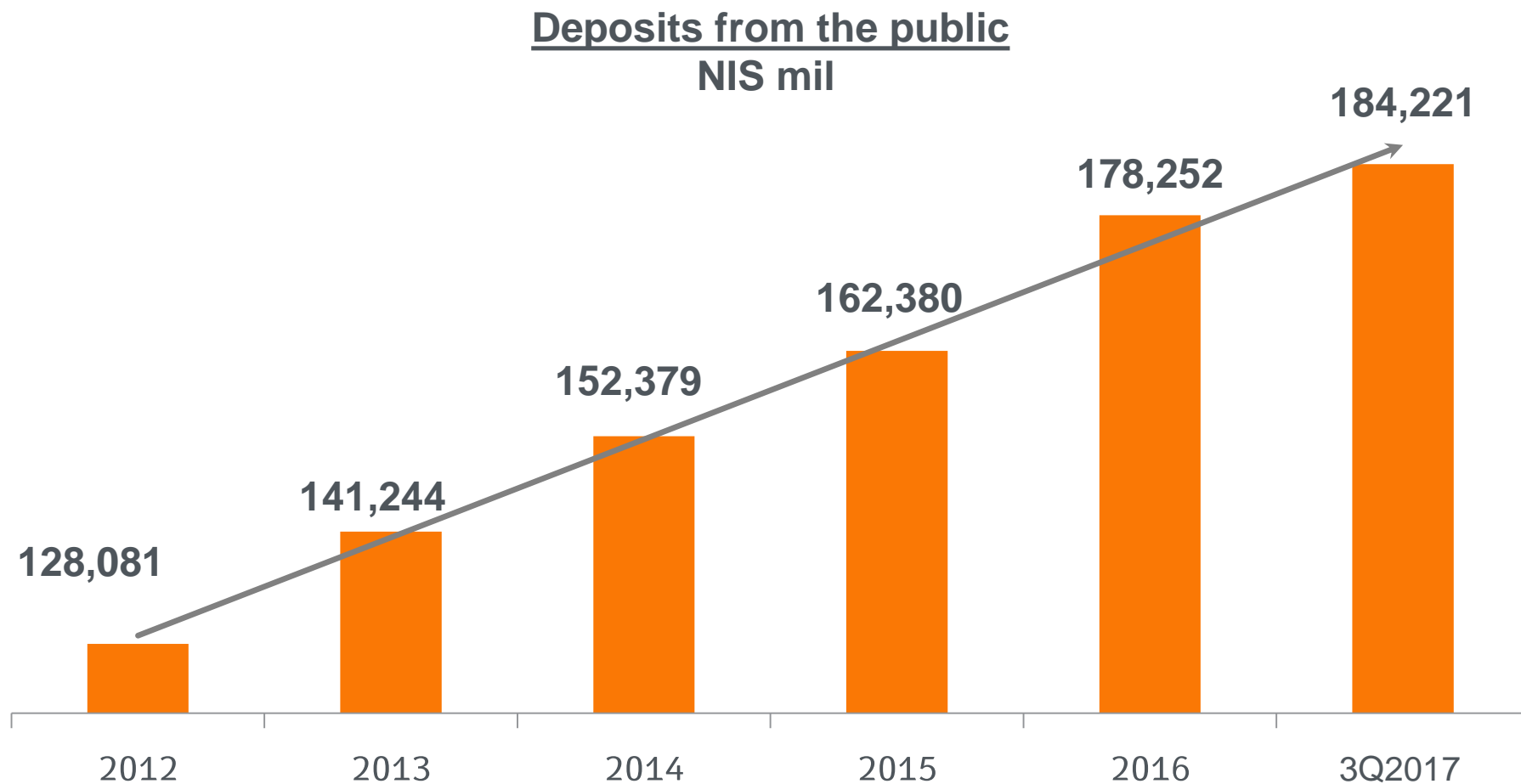
Credit growth in most segments

Double digit growth in small businesses and medium businesses
in accordance with the strategic plane

Loans to the public (NIS mil)			
	30.9.2017	30.9.2016	of change %
Housing loans	118,685	112,273	5.7%
Households and Private banking	19,511	18,241	7.0%
Small and micro businesses	16,114	14,764	10.7%
Medium businesses	5,642	4,887	
Large businesses and Institutional investors	15,448	15,068	2.5%
Overseas operations	3,221	3,387	(4.9%)
Total	178,621	168,620	5.9%



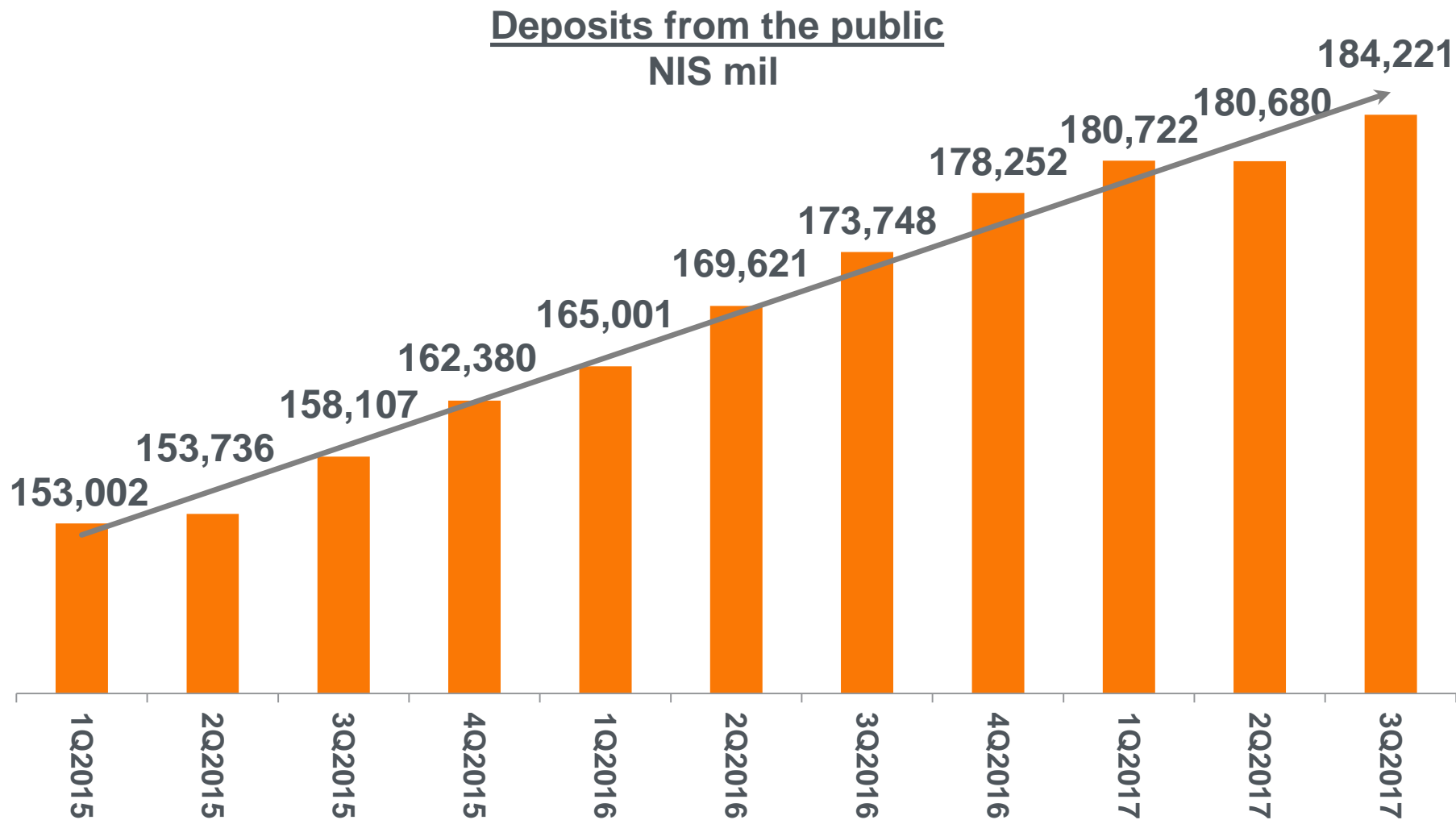
Continuous deposit growth



Average annual growth rate 8 %

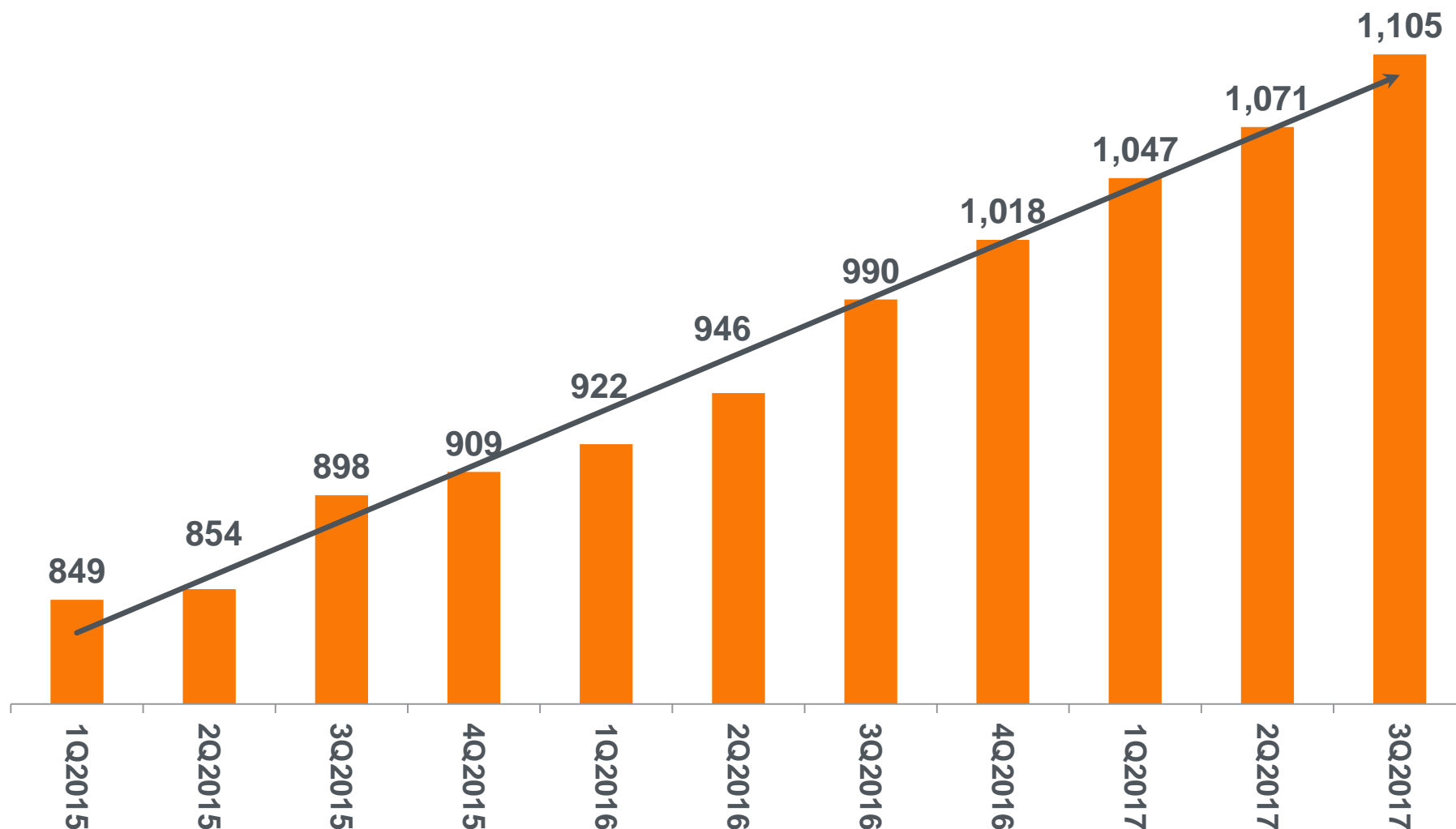


Continuous deposit growth





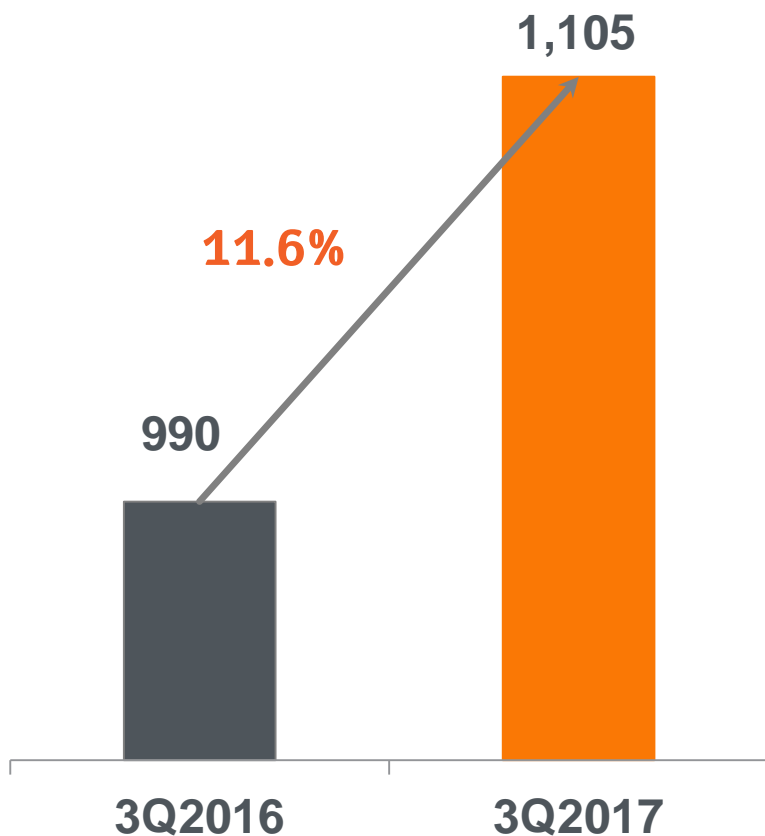
Financing revenues from current operations continue to grow (NIS m)



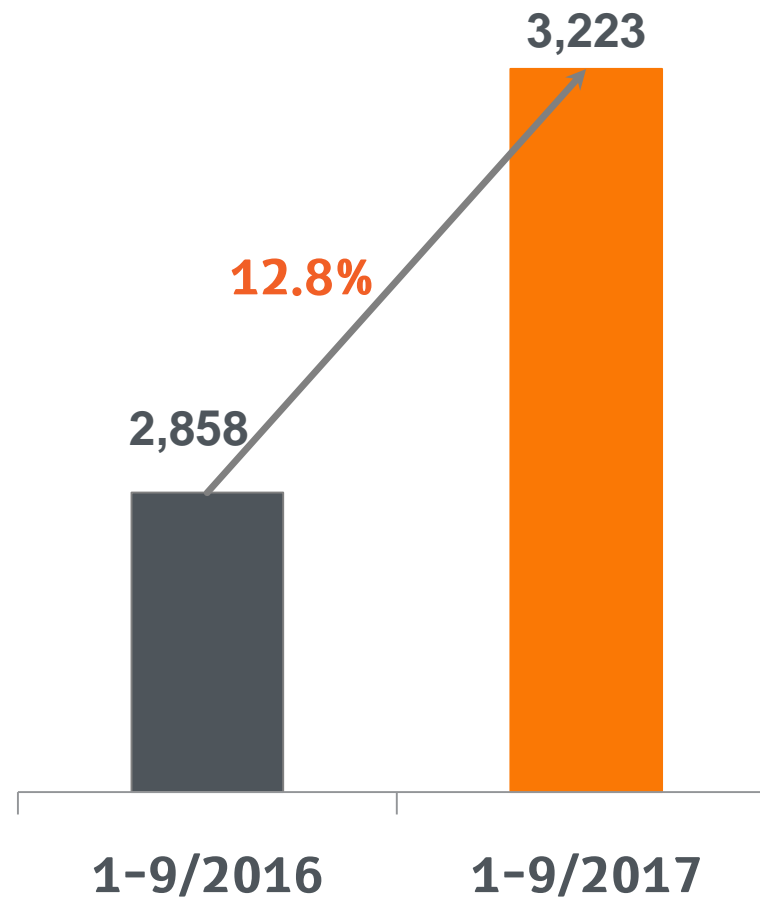


Financing revenues from current operations continue to grow (NIS m)

Financing revenues from current operations



Financing revenues from current operations



Growth in financing revenues in all main business segments

Double digit growth in financing revenues in most of the business segments

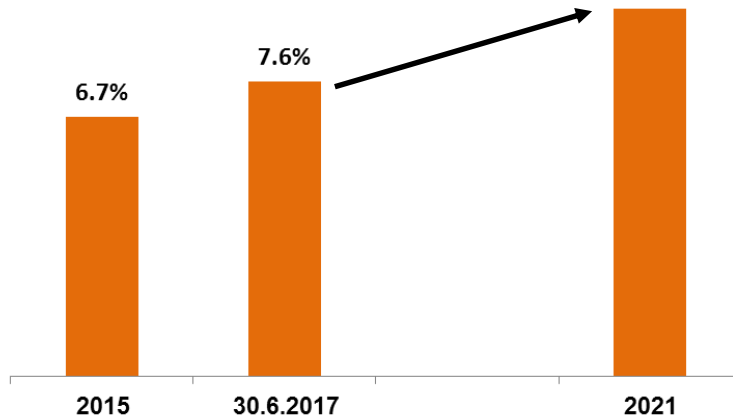
Financing revenues (NIS m)			
	1-9/2017	1-9/2016	% of change
Housing loans	956	811	17.9%
Households	844	746	13.1%
Private banking	43	37	16.2%
Small and micro businesses	654	594	10.1%
Medium businesses	153	138	10.9%
Large businesses and institutional investors	428	413	3.6%
Overseas operations	122	123	(0.8%)



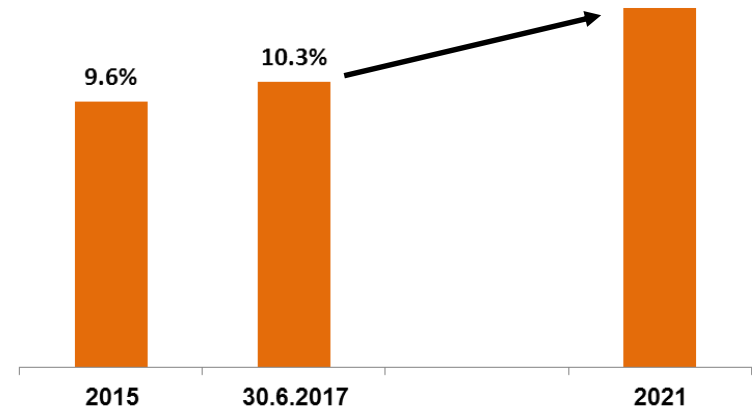
“And taking market share in relevant segments”

Market share in Israel* in business credit and deposit – growth** and targets***

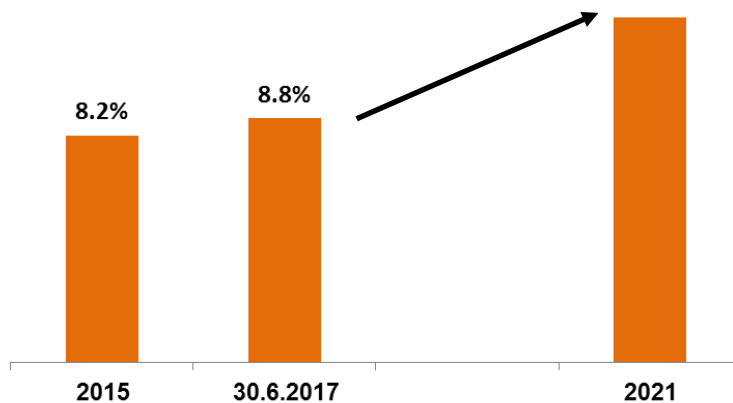
Credit to medium businesses



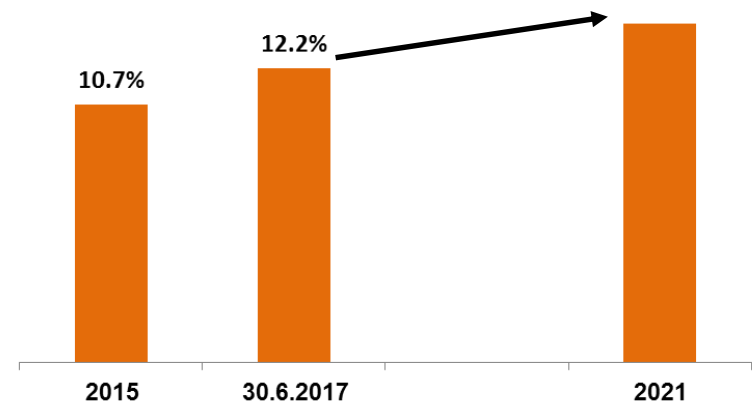
Deposits from medium businesses



Credit to small and micro businesses



Deposits from small and micro businesses

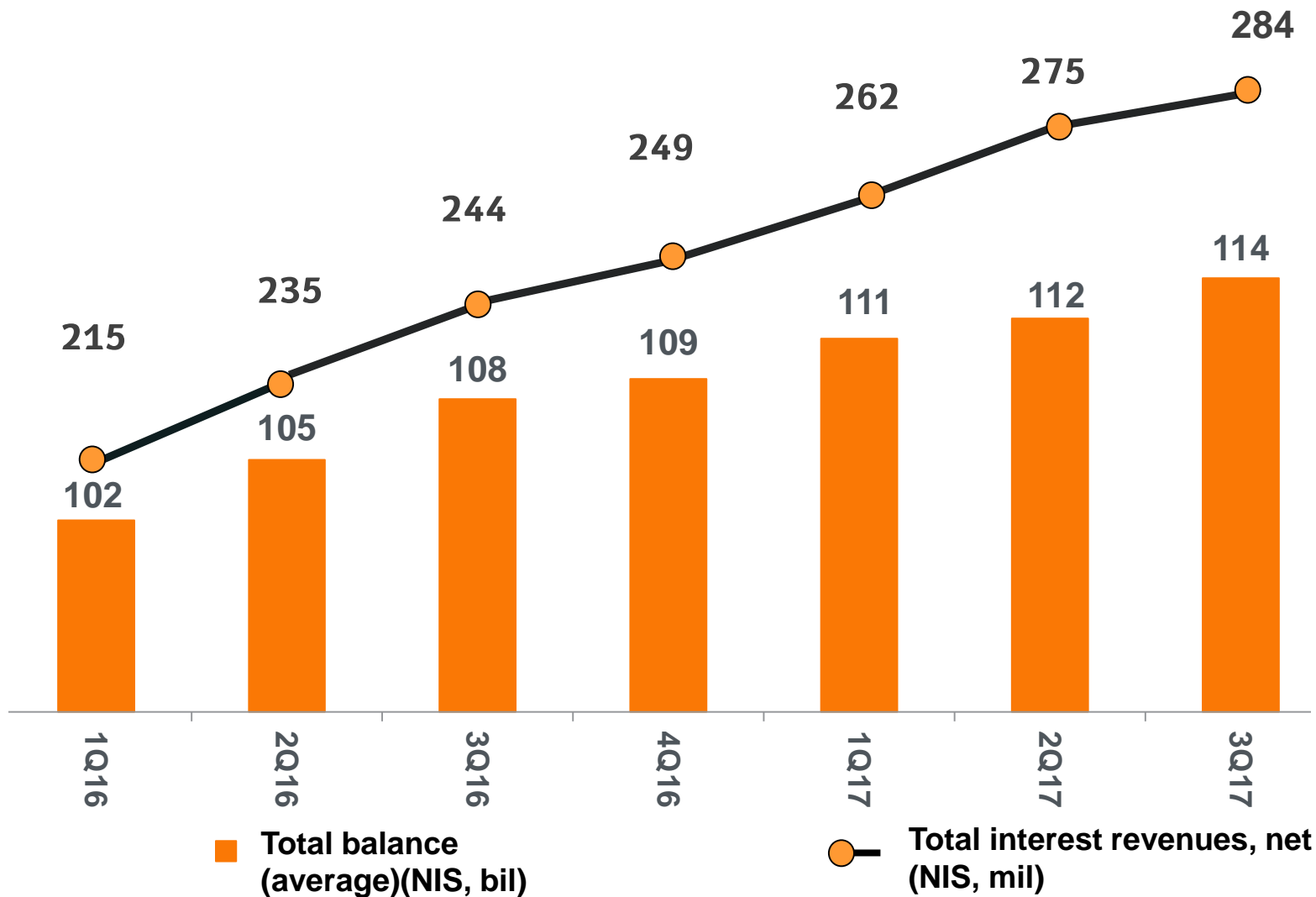


* According to supervisory operating segments, % out of 5 major banking groups

** Source: financial reports of the 5 banking groups *** In accordance with UMTB's strategic plan for 2016-2021



Mortgages –balance and revenues*

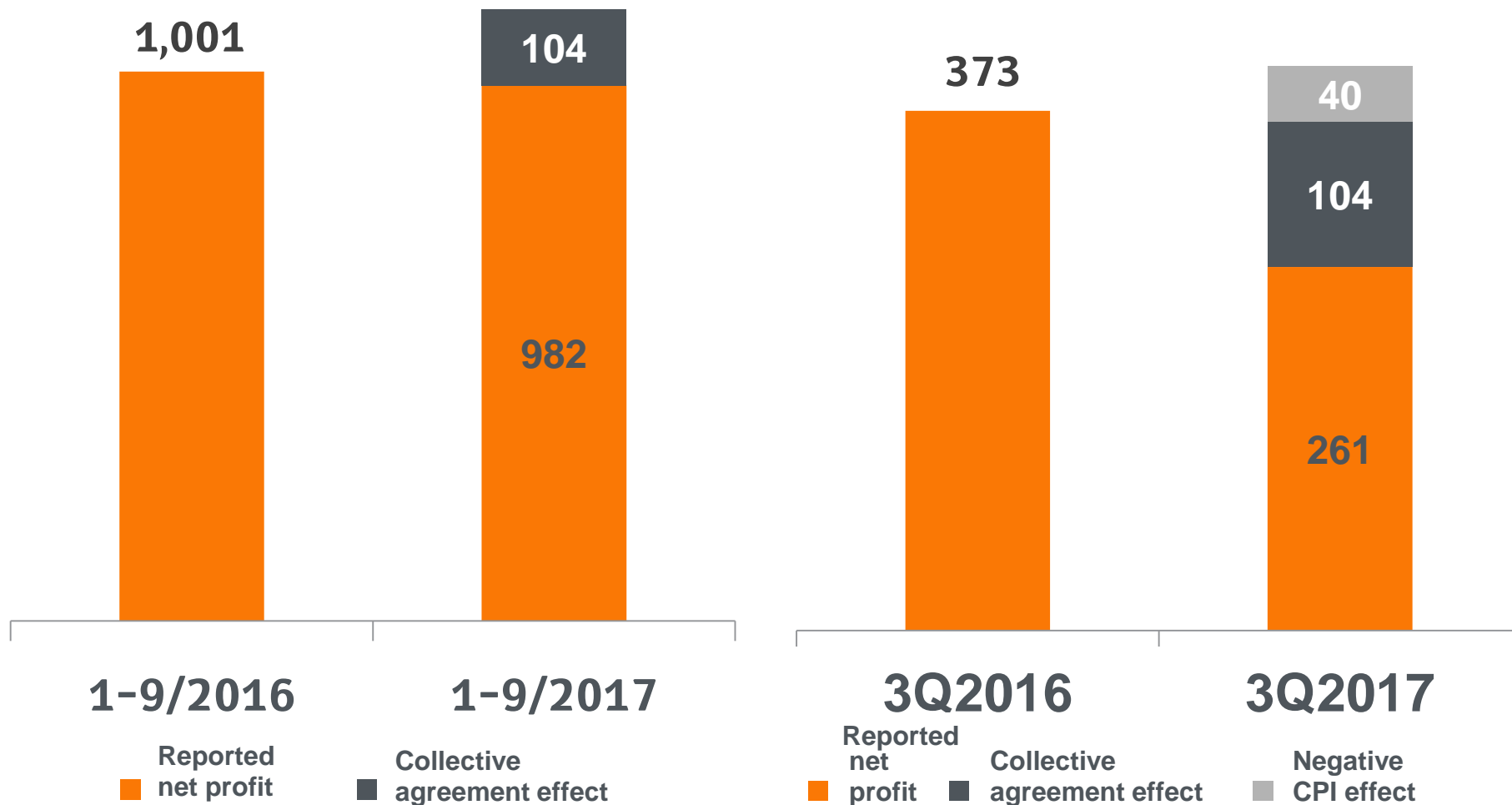


* Operating segments in conformity with management approach.
Note 12 to quarterly reports, Note 29 to annual reports



Net profit analysis (NIS mil)

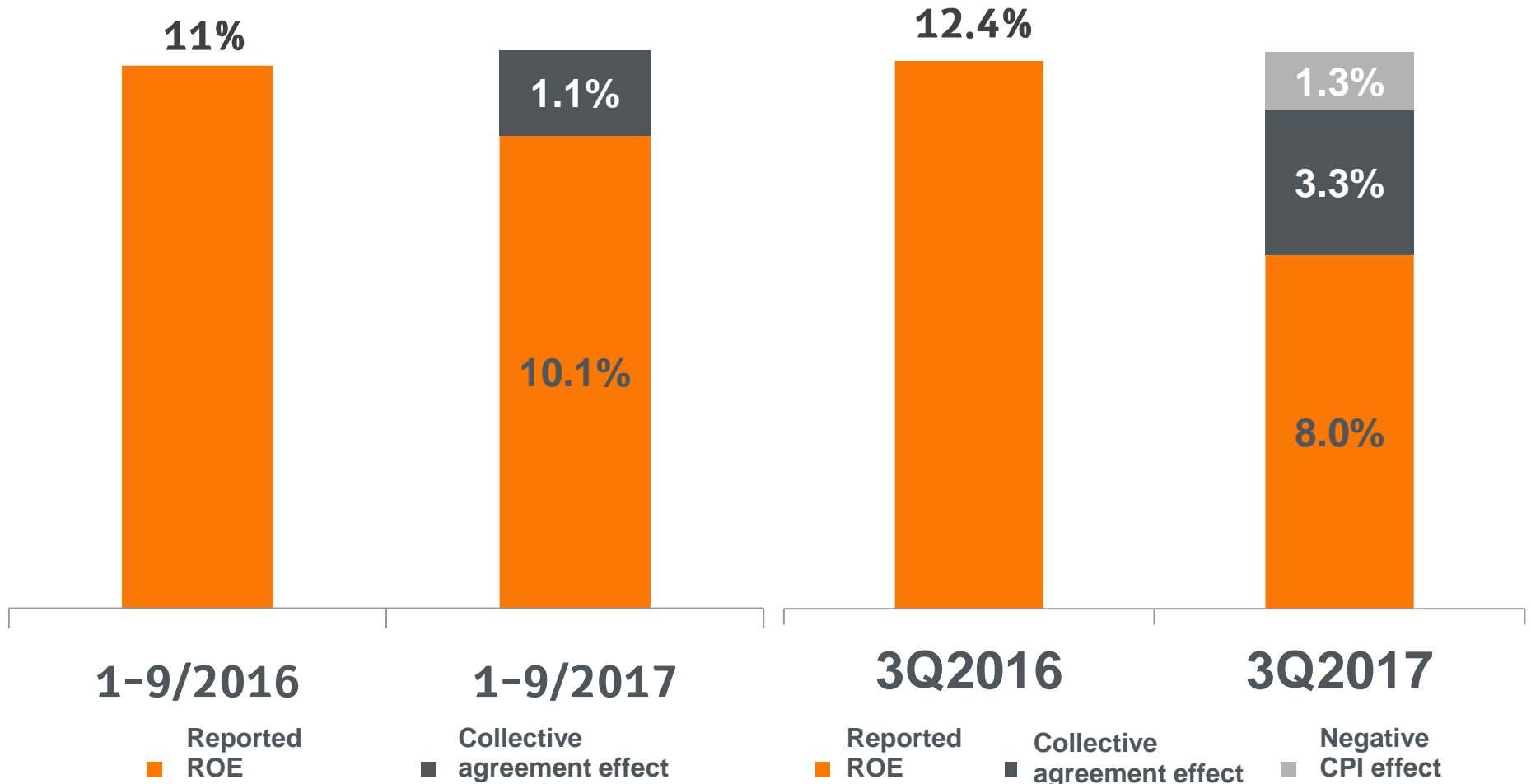
The effect of negative CPI and collective agreement





ROE analysis

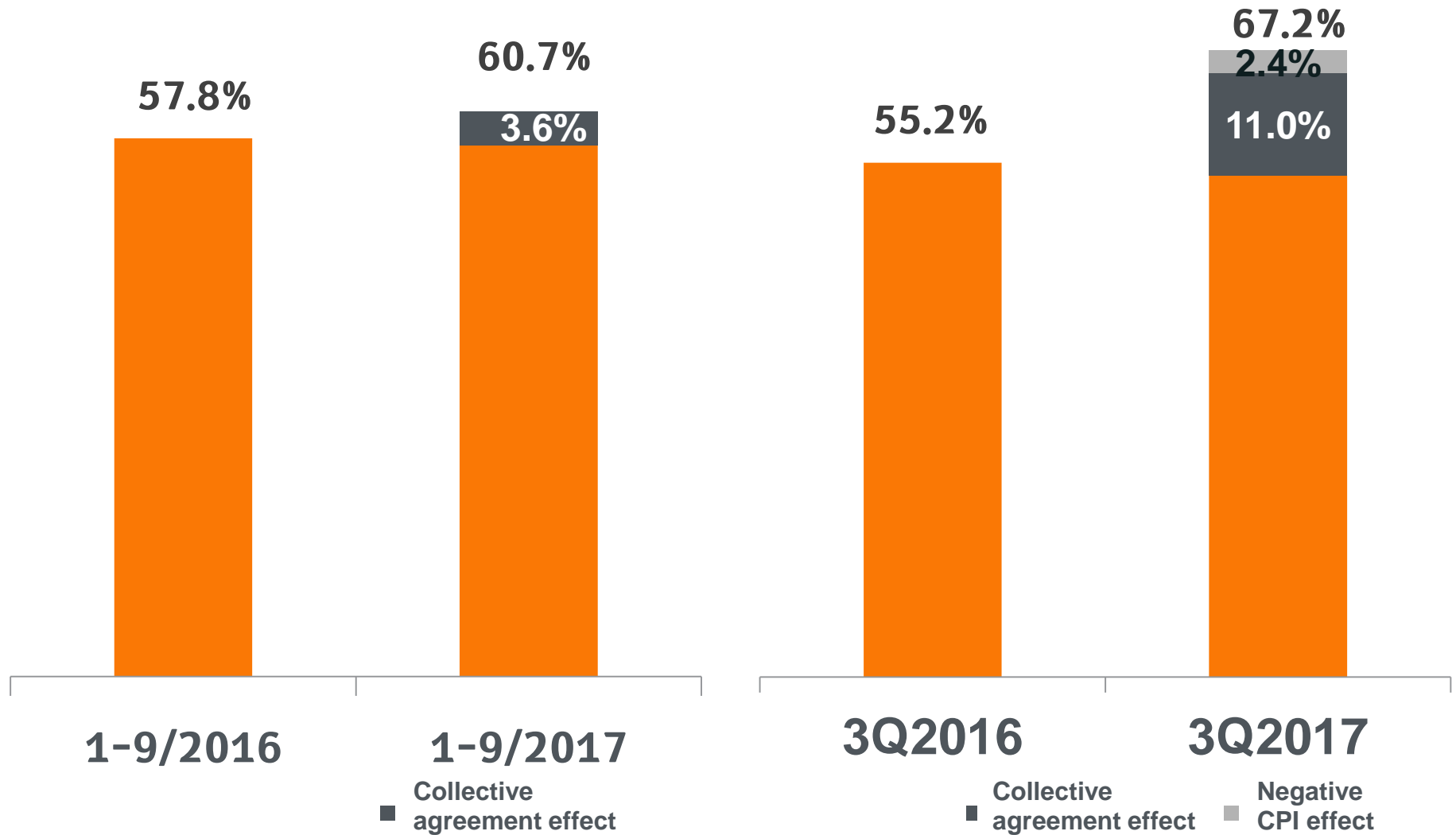
The effect of negative CPI and collective agreement





Efficiency ratio analysis

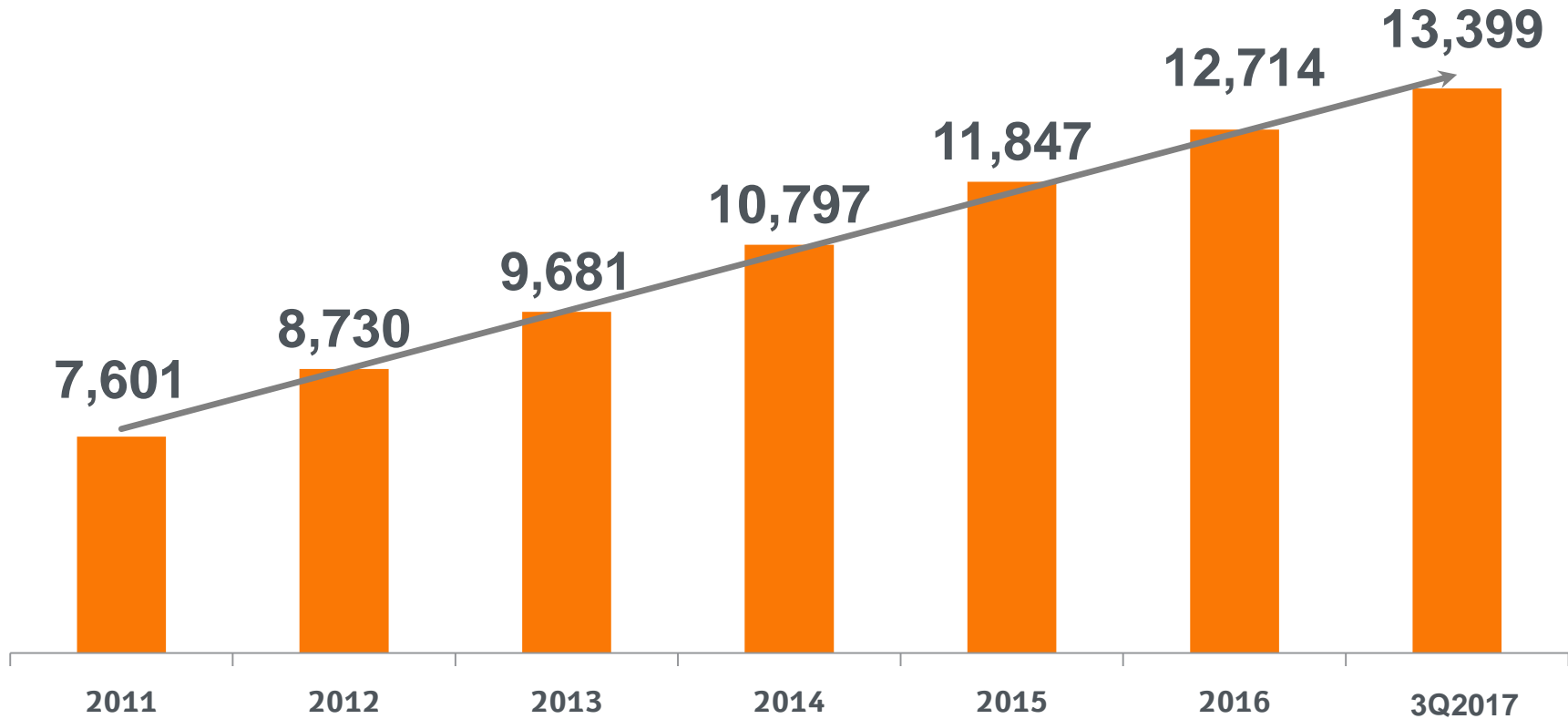
The effect of negative CPI and collective agreement





Increasing equity base

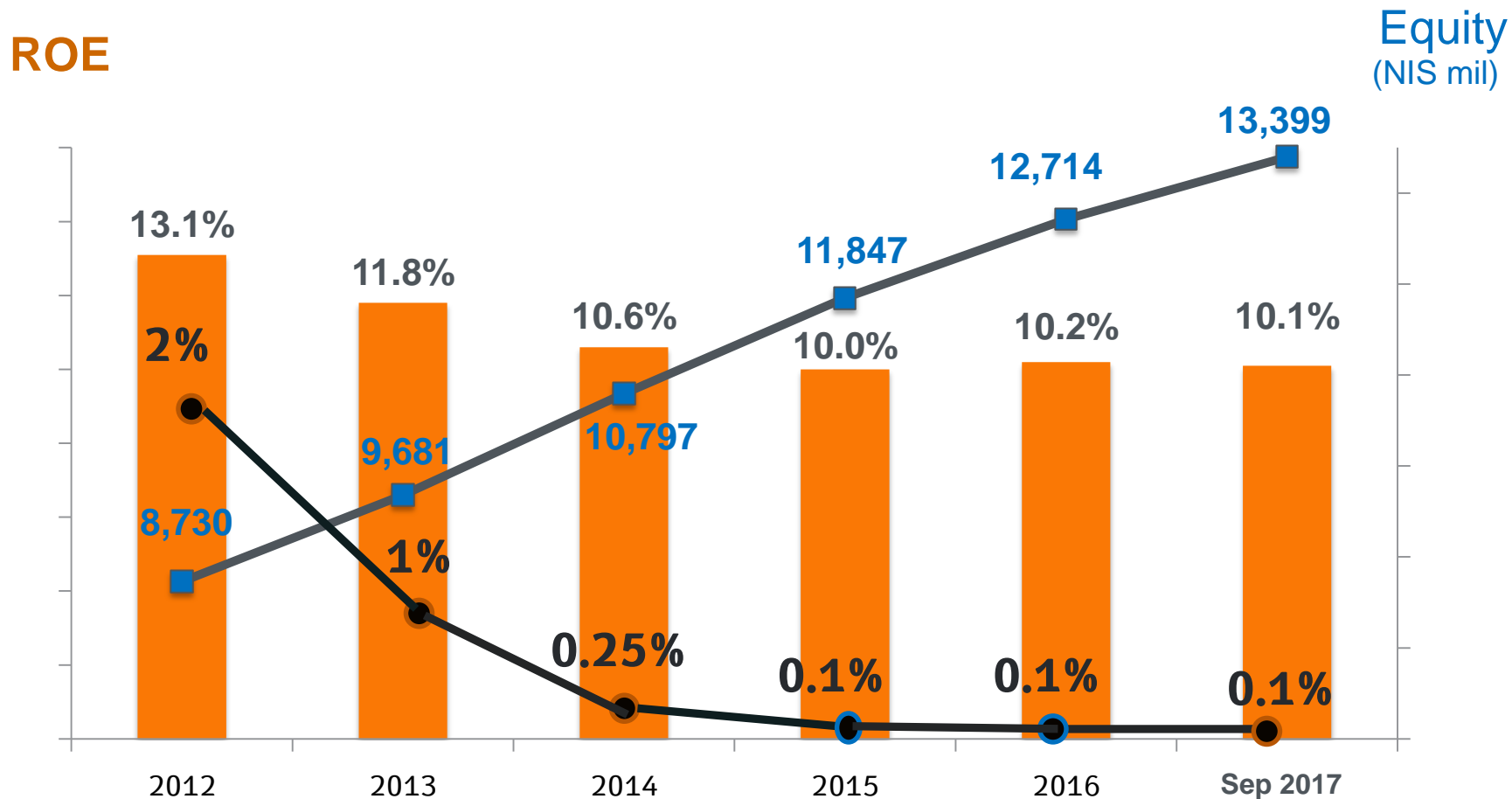
Core tier 1 as of Q3/2017 – 10.16%



Average annual growth rate 10.4%



Double digit ROE despite dramatic increase in equity and extremely low interest rate

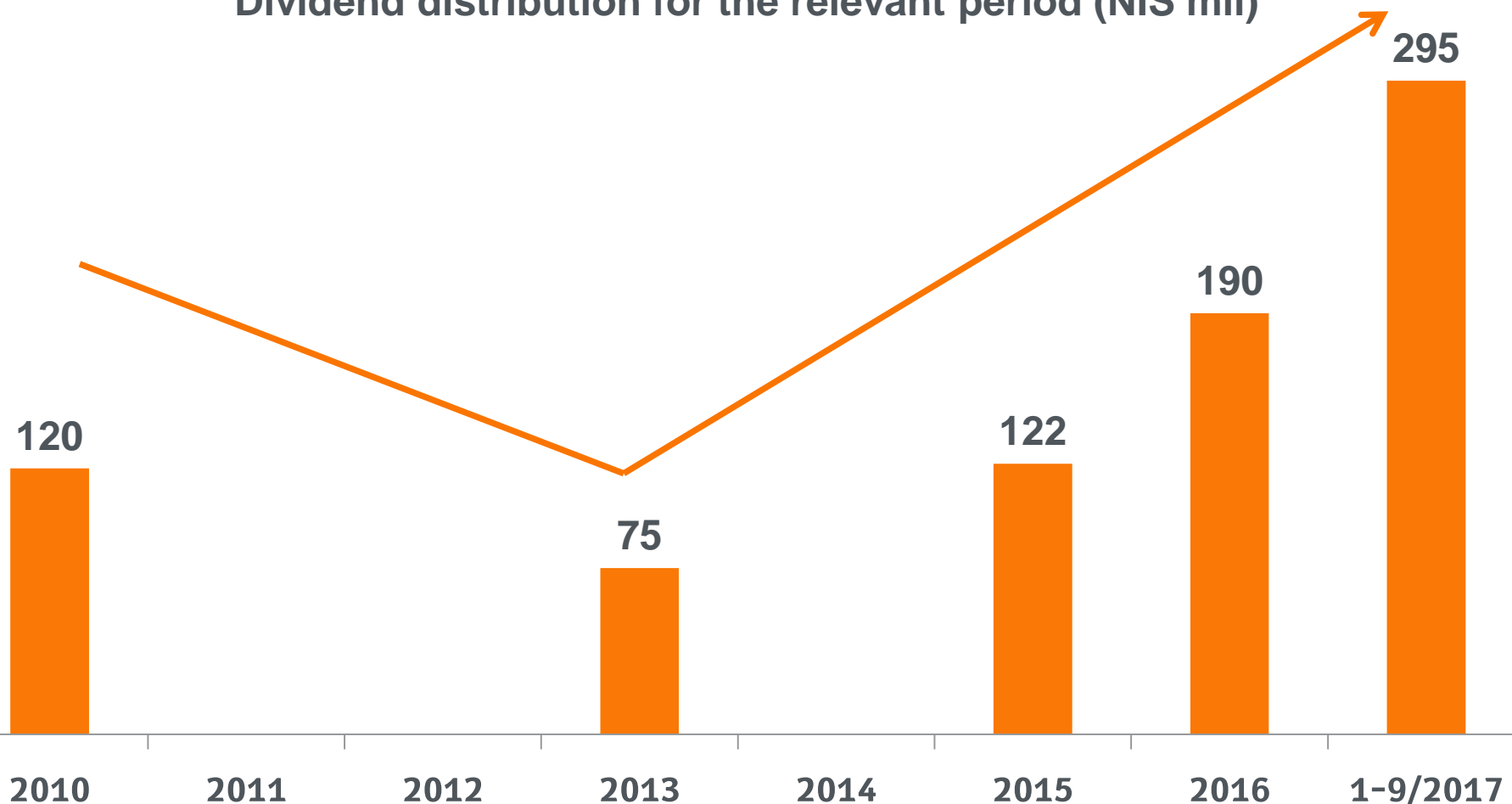


In black – Bank of Israel interest rate at the end of the period



Dividend distribution –dividend payout of 30% of net profit

Dividend distribution for the relevant period (NIS mil)

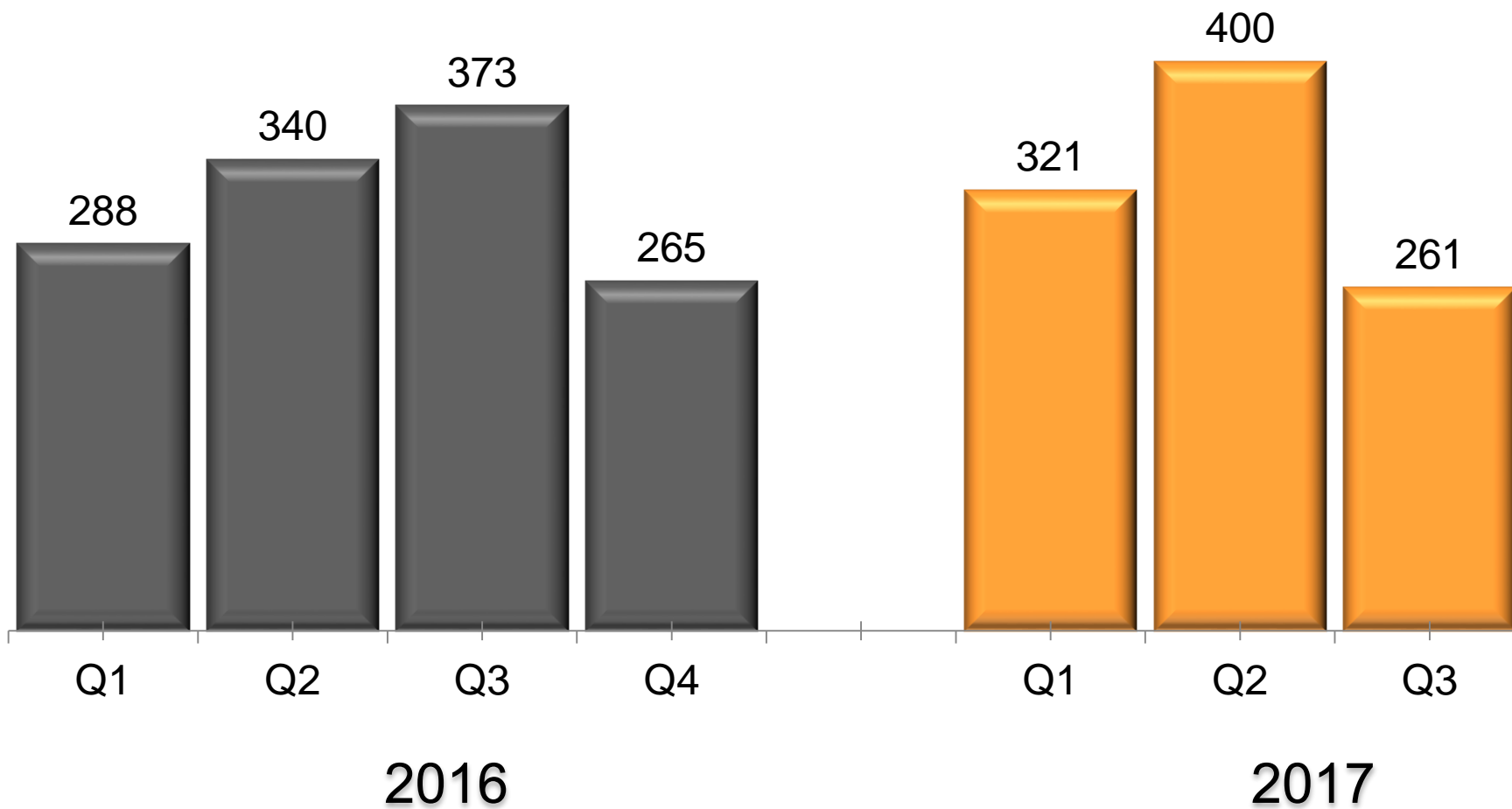




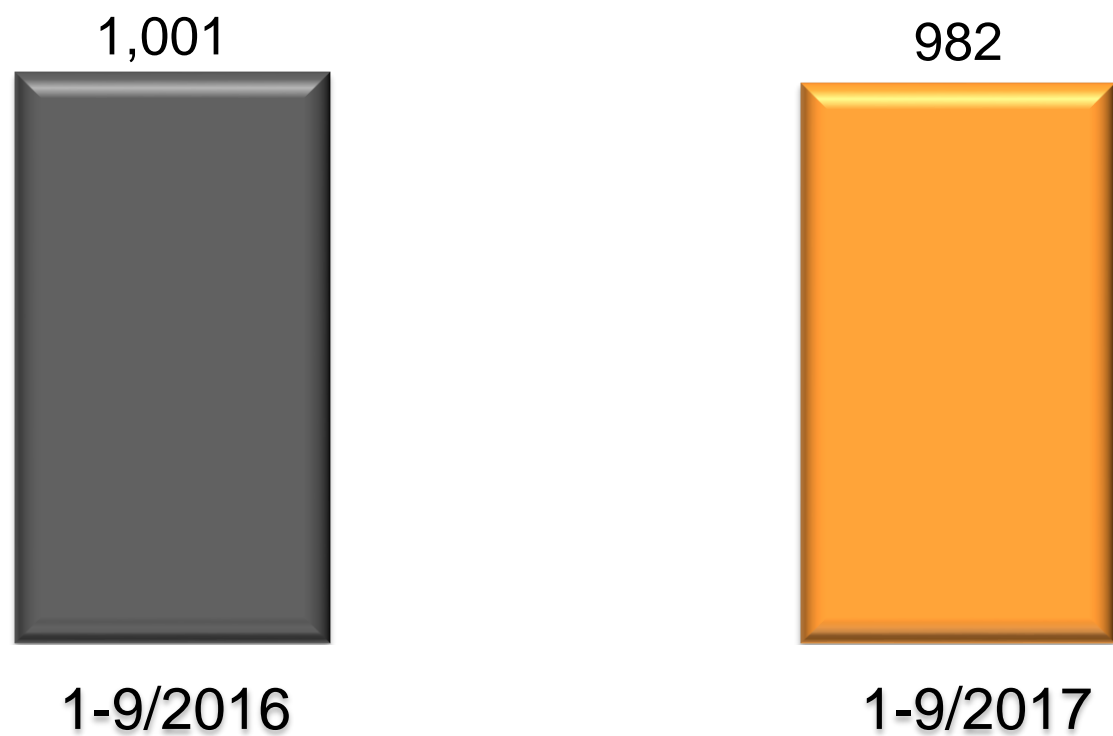
Financial results



Net profit (NIS mil)

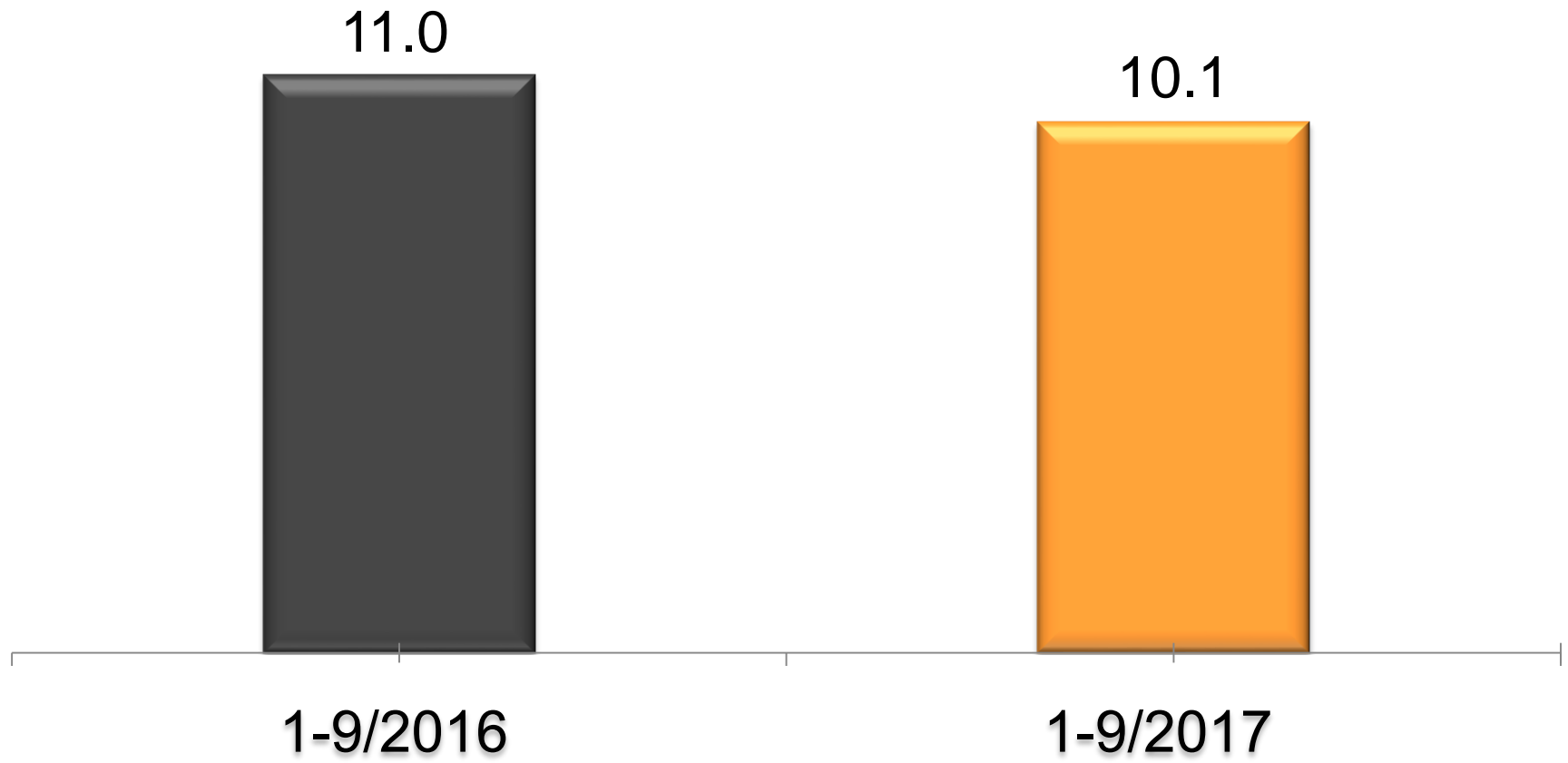


Net profit (NIS mil)



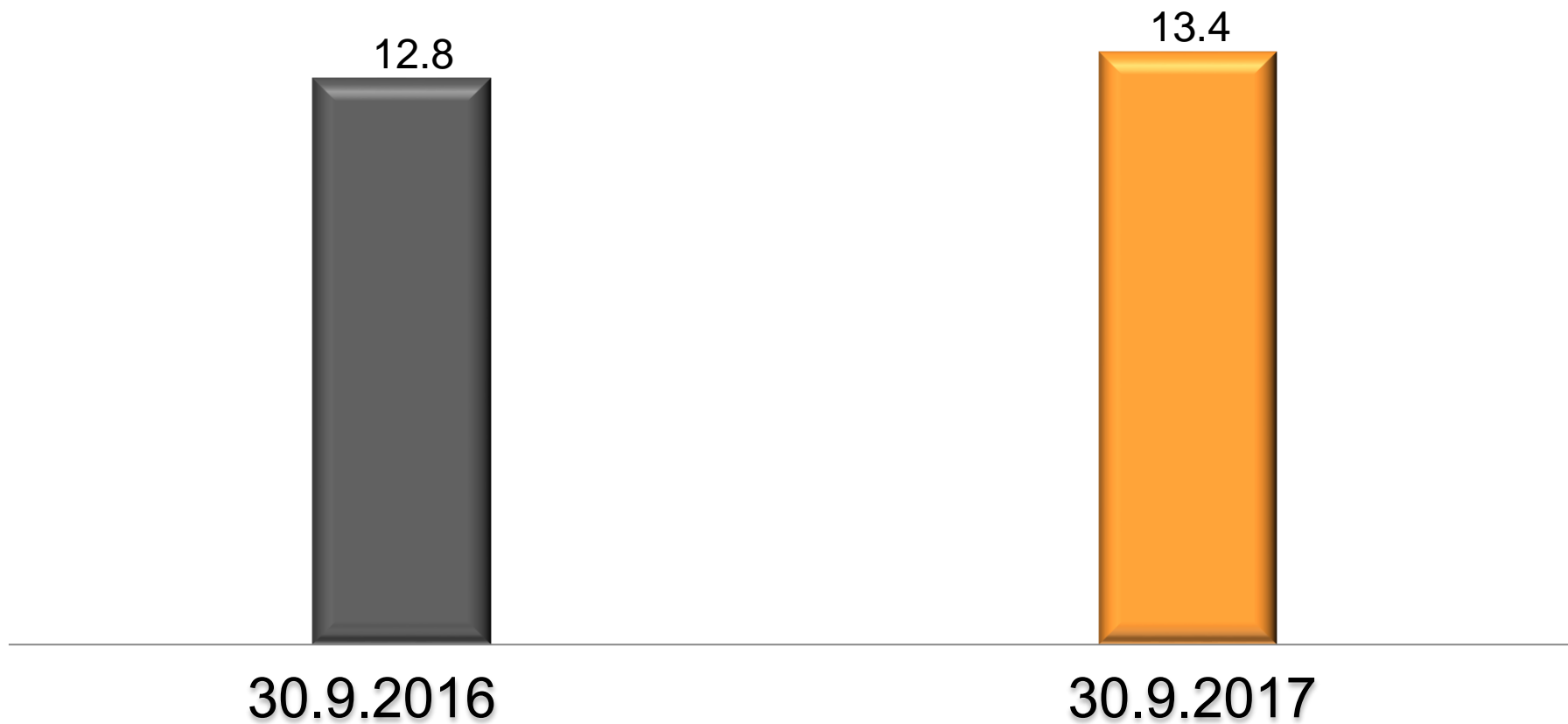


Return on equity



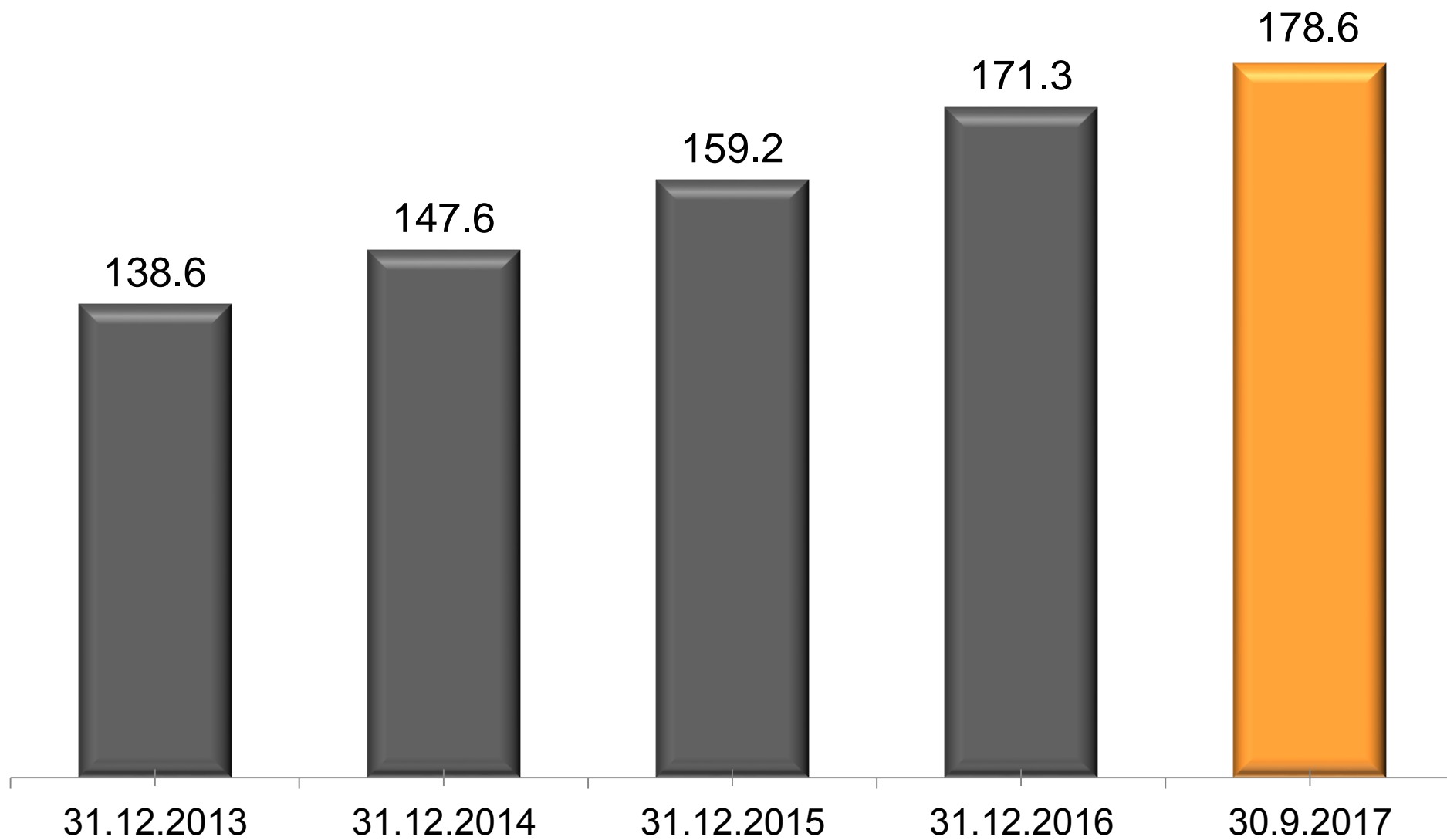


Equity (NIS bil)



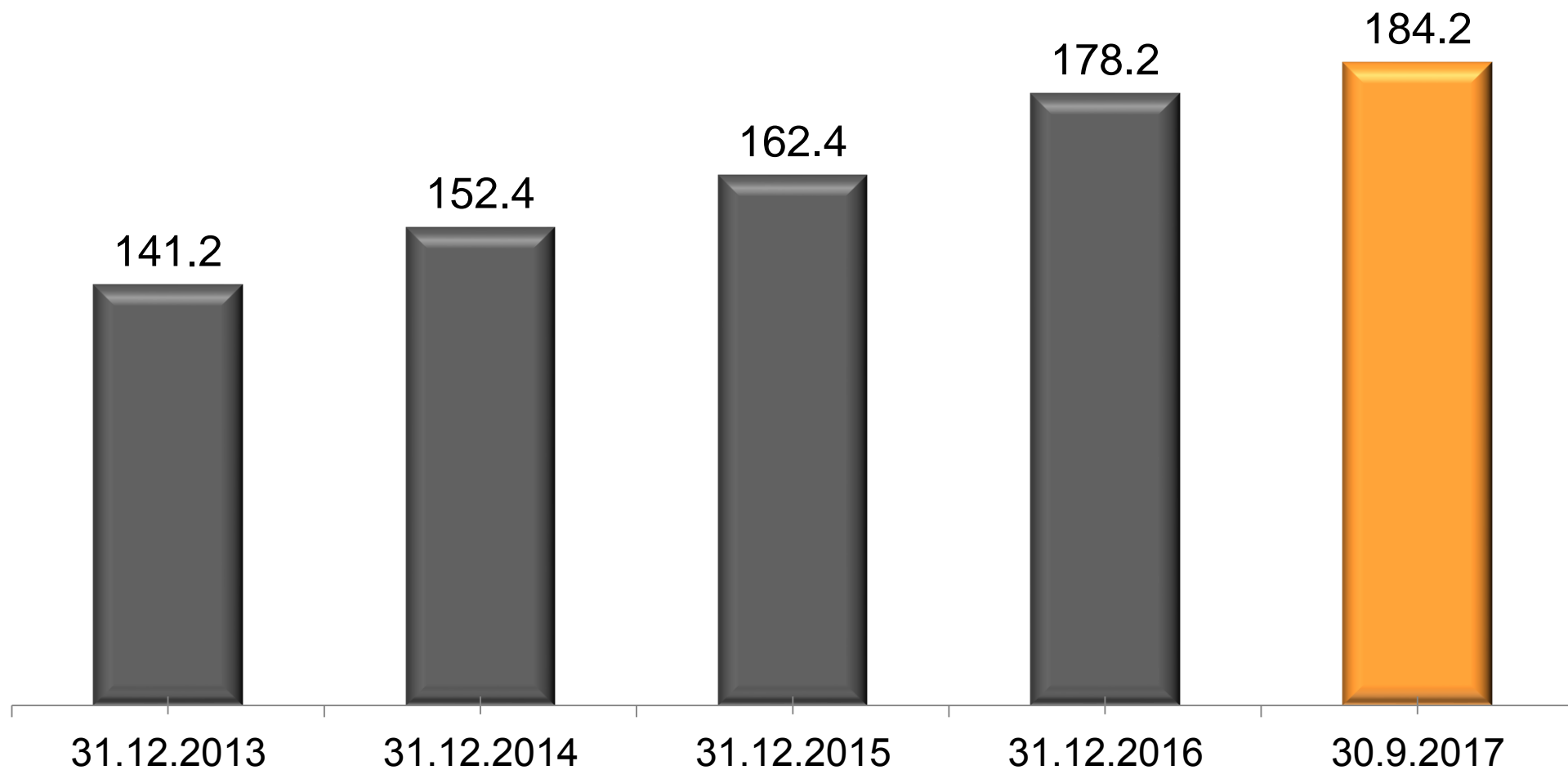


Loans to the public (NIS bil)





Deposits from the public (NIS bil)



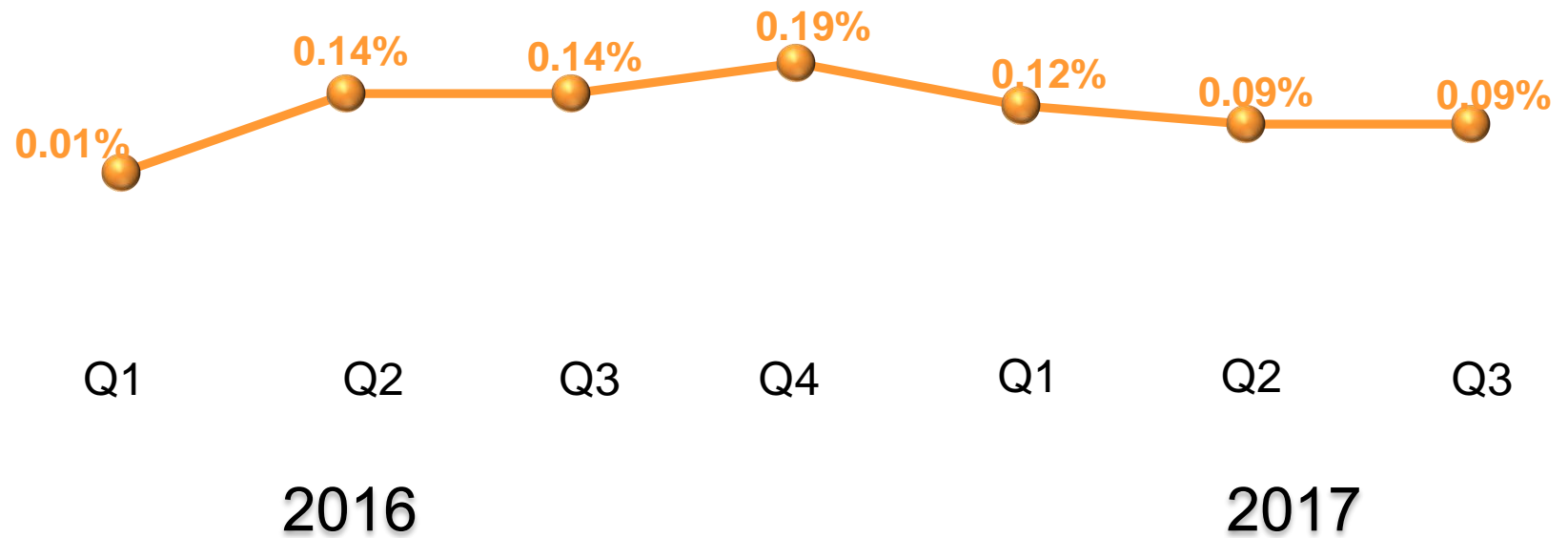


Financing Revenues (NIS mil)

	1-9/2017	1-9/2016	Rate of change
Interest revenues, net	3,211	2,830	
Non-interest financing revenues	81	176	
Total financing revenues	3,292	3,006	9.5
Less:			
Linkage differentials with respect to CPI position	22	(19)	
Revenues from collection of interest on troubled debt	33	33	
Gain from debentures	41	74	
Effect of accounting treatment of derivatives at fair value and others	(27)	60	
Total effects other than current operations	69	148	
Total financing revenues from current operations	3,223	2,858	12.8

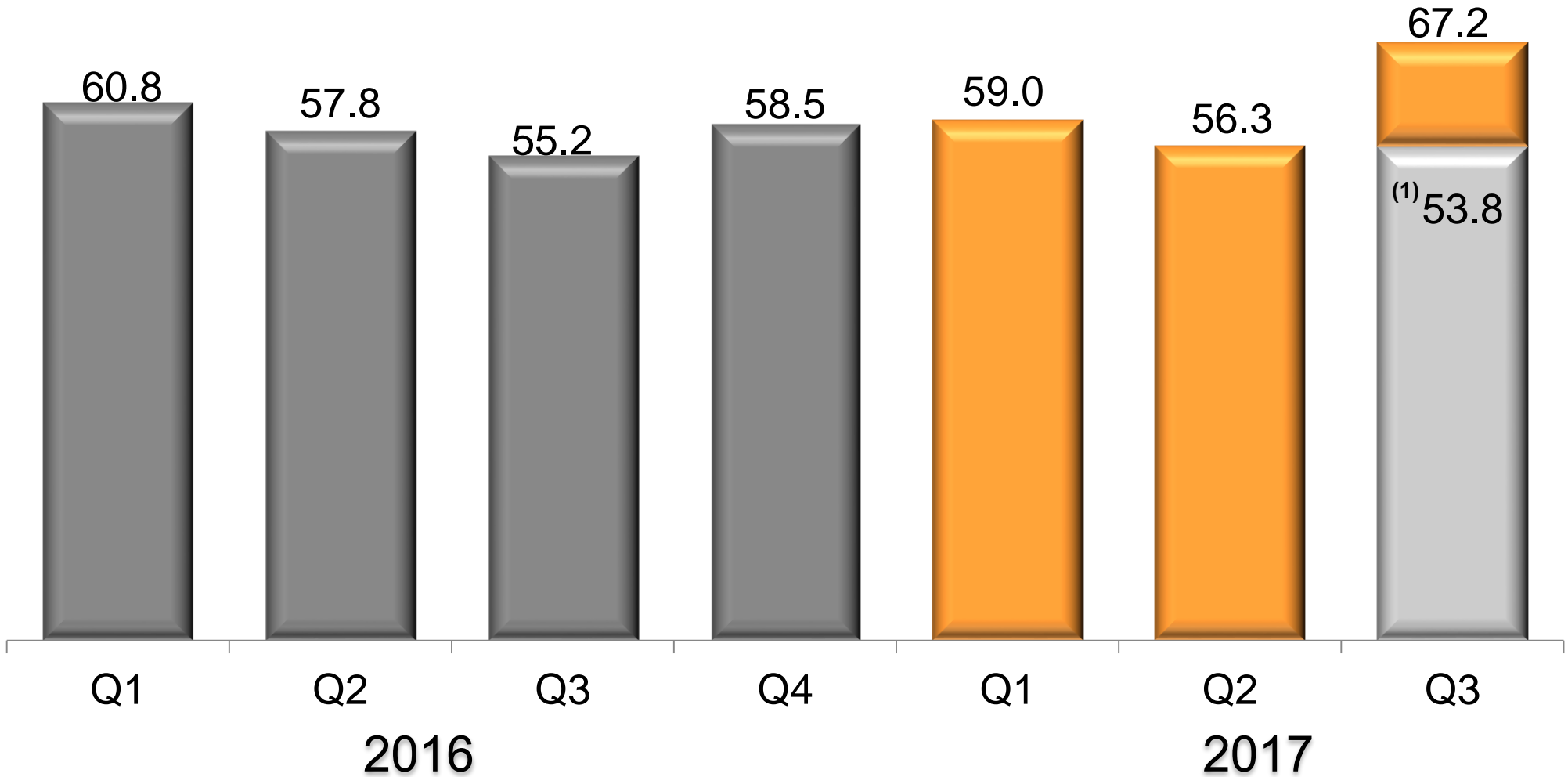


Provisions / loans to the public





Cost / income ratio



(1) Excluding the effect the collective agreement and the negative CPI



Capital adequacy

