

November 18, 2014

Net profit in third quarter: NIS 304 million

Compared to NIS 301 million in the corresponding period last year

Return on equity in the third quarter: 12.0%

Net profit for the first nine months: NIS 870 million

Compared to NIS 826 million in the corresponding period last year

5.3% growth

Financing revenues from current operations in the third quarter: NIS 833 million

Compared to NIS 788 million in the corresponding period last year

5.7% increase

Shareholders' equity: NIS 10.8 billion

An increase of 12.6% compared to September 30, 2013

Ratio of Tier I capital to risk elements (in Basel III terms) 9.01%

Balance sheet total: NIS 195.1 billion

Compared to NIS 173.3 billion in the corresponding period last year

12.6% increase

Continued growth in loans to the public

At the end of the third quarter of 2014, Bank loans to the public amounted to NIS 146.7 billion – an increase of 7.3% over the corresponding period last year.

Loan growth was reflected across all operating segments - both retail and business.

Retail banking, which typically is highly diversified and bearing relatively low risk, including households, small business and mortgages, posted impressive growth of nearly 9.0% compared to the corresponding period last year.

Loans to businesses also increased by 3.4% compared to September 30, 2013 – outstanding performance, given the current challenging condition of the Israeli economy and continued decline in demand for business loans across the entire system.

Return on equity at 12% with increase in capital base

Further expansion of Bank business and growth in various segments allowed Mizrahi-Tefahot to achieve an impressive 12.0% return on equity in the third quarter of this year. This is along with continued equity growth at the Bank - which amounted to NIS 10.8 billion as of September 30, 2014 - an increase of NIS 1.2 billion over the corresponding period last year, and despite challenging macro-economic conditions, including a further reduction of the Bank of Israel interest rate to a new low - 0.25%, compared to 1.25% in the third quarter of 2013.

The capital base was increased while maintaining a Tier 1 capital ratio of just over 9.0% – which is the target set by the Bank of Israel for end of 2014.

Diversification and expansion of Bank sources

The significant trust accorded to Bank Mizrahi-Tefahot in the capital market allows the Bank to benefit from convenient, available access to long-term financing sources for financing the range of uses and financing needs of the Bank.

In September, the Bank conducted one of the largest issuances ever on the Tel Aviv stock exchange, raising nearly NIS 2.9 billion through its subsidiary, Mizrahi-Tefahot Issuance.

Since the start of 2014, Mizrahi-Tefahot conducted three debenture issuances, raising NIS 5.8 billion at attractive interest rates, thanks to market conditions and especially strong demand.

Eldad Fresher: We succeeded in further expanding Bank business with further improvement in our business results, despite the challenging macro-economic environment

"A further improvement in Mizrahi-Tefahot profit, to a new quarterly high of NIS 304 million, along with 12.0% return on equity and further growth in the capital base and across all Bank operating segments - are an impressive achievement, especially given the stricter regulation and margin erosion due to the highly expansive monetary policy.

Our third quarter results clearly reflect further growth of Bank business; this is primarily reflected by record quarterly revenues amounting to NIS 1.3 billion and significant growth in loans to the public, both retail and business, by 7.3% - with an even greater growth rate in deposits from the public at 10.9%.

Financing revenues from current operations in the third quarter of 2014 amounted to NIS 833 million, compared to NIS 788 million in the corresponding period last year - an increase of 5.7%. In the first nine months of this year, financing revenues exceeded NIS 2.4 billion - an increase of 5.0% over the year-ago period.

Along with continued revenue growth, Mizrahi-Tefahot continues to maintain strict control over expense items. Operating and other expenses in the third quarter of this year amounted to NIS 792 million, compared to NIS 755 million in the corresponding period last year – an increase of 4.9%; year to date, these expenses increased, on aggregate, by only 4.0% compared to the corresponding period last year.

True to its growth strategy, Mizrahi-Tefahot has recently launched an innovative, bold move forward in the professional, human, warm service provided by the Bank to its clients. This new, competitive initiative would help the Bank in further highlighting the difference in outlook compared to its competitors, offering clients a unique, attractive, high-quality alternative.

This new initiative, which has resulted from the Bank's organizational culture and has evolved into a structured action plan through the efforts of hundreds of employees and managers, will become an integral part of our work plan for the next three years, will improve employee and client satisfaction and would help Mizrahi-Tefahot in recruiting many new clients," said **Bank President. Eldad Fresher.**

Mizrahi-Tefahot Bank Ltd.
Highlights of financial statements
As of September 30, 2014 - NIS in millions

Major balance sheet items

	September 30		Rate of change in %
	2014	2013	
Loans to the public, net	146,699	136,747	7.3
Deposits from the public	150,648	135,863	10.9
Equity (attributable to equity holders of the banking corporation)	10,779	9,574	12.6
Balance sheet total	195,141	173,332	12.6

Profit and Profitability

	Third Quarter		Rate of change in %
	2014	2013	
Total financing revenues before expenses with respect to credit losses	944	915	3.2
Commissions and other revenues	354	364	(2.7)
Total revenues	1,298	1,279	1.5
Expenses with respect to credit losses	5	68	-
Operating and other expenses	792	755	4.9
Net profit attributable to equity holders of the banking corporation	304	301	1.0
Net return on equity	12.0%	13.3%	

Financial ratios

	September 30	
	2014	2013
Credit to the public to balance sheet total	75%	79%
Deposits from the public to balance sheet total	77%	78%
Deposits from the public to loans to the public, net	102.7%	99.4%
Capital to balance sheet total	5.5%	5.5%
Ratio of expenses with respect to credit losses to loans to the public, net (annualized)		
For the third quarter	0.01%	0.20%
For the first nine months	0.02%	0.28%
Cost-income ratio		
For the third quarter	61.0%	59.0%
For the first nine months	61.0%	57.7%
Ratio of Tier I capital to risk elements	9.01%	8.84%
Total ratio of capital to risk elements	12.94%	12.96%

