

November 18, 2013

Net profit in third quarter: NIS 301 million

Compared to NIS 260 million in the corresponding period last year
15.8% growth

Return on equity in the third quarter: 13.3%

Net profit for the first nine months*: NIS 826 million

Compared to NIS 806 million in the corresponding period last year
2.5% growth

Financing revenues (interest and non-interest) in the third quarter: NIS 915 million

An increase of 14.1% compared to the corresponding period last year

Shareholders' equity: NIS 9.6 billion

An increase of 12.5% compared to September 30, 2012

Ratio of Tier I capital to risk elements: 8.84%

* After a non-recurring provision amounting to NIS 191 million due to implementation of the Supervisor of Banks' directive with regard to housing loans.

Continued growth in loans to the public

At the end of the third quarter of 2013, Bank loans to the public amounted to NIS 136.7 billion – an increase of 8.0% over the corresponding period last year.

Retail banking, with its typical wide diversification and relatively low risk, posted a double-figure increase.

This operating segment, which includes households, small businesses and mortgages, increased as of end of September 2013 by 12.2% over the year-ago period.

Increase in the household segment - 12.3% - and in the small business segment - 12.4% - were especially outstanding. The mortgage portfolio, which is naturally affected by continued buoyancy of the residential real estate market, also posted an increase of 12.1%.

Maintaining impressive efficiency ratio

Due to increased business and continued revenue growth, Bank Mizrahi-Tefahot successfully maintains consistently impressive efficiency ratio.

For the first nine months of this year, the Group's efficiency ratio (total operating and other expenses to total revenues, before expenses with respect to credit losses), reached 57.7%, compared to 58.2% for all of 2012.

Increased capital basis and Tier I capital adequacy ratio

As a result of Bank of Israel requirements with regard to capital adequacy, and in line with Bank intention to achieve a core capital ratio of 9.0% in 2014 – as part of the Bank's overall strategic plan, Bank Mizrahi-Tefahot continues to increase its capital base and Tier I capital adequacy ratio.

On September 30, 2013, the Bank's shareholder equity exceeded NIS 9.5 billion - an increase of 12.5% year-over-year. The Tier I capital adequacy ratio at the end of the third quarter of this year reached 8.84%, after a NIS 75 million dividend distribution in September (or 8.91% before said dividend distribution).

The increase in capital basis and in Tier I capital adequacy ratio over the coming quarters, along with compliance with regulatory requirements, would allow the Bank to continue implementation of the dividend policy as determined by the Bank Board of Directors.

Eldad Fresher: For the first time, we have posted a quarterly profit in excess of NIS 300 million; this reflects continued expansion of Bank business

"We have succeeded in taking the next step by posting, for the first time, quarterly net operating profit better than NIS 300 million; this reflects continued expansion of Bank business, with significant growth in loans and revenues.

Return on equity in the third quarter increased to 13.3%; excluding the non-recurring provision for credit losses, amounting to NIS 191 million, due to implementation of Bank of Israel directives with regard to housing loans, we would have posted return on equity in excess of 13% for the first nine months, as well.

Financing revenues (interest and non-interest) in the third quarter amounted to NIS 915 million - a year-over-year increase of 14.1%. In the first nine months of this year, financing revenues exceeded NIS 2.6 billion - an increase of 9.6%.

The increase in revenues also reflects on the bank's efficiency ratio (**Cost-Income Ratio**), which continues to top the Israeli banking system. For the first nine months of 2013, Bank Mizrahi-Tefahot's cost-income ratio was a mere 57.7%, compared to 58.2% in 2012.

We continue to expand and grow Bank business across all major balance sheet items. Balance sheet total for the first nine months of this year amounted to NIS 173.3 billion - a year-over-year increase of 9.8%. Loans to the public amounted to over NIS 136.7 billion - an increase of 8.0% - and deposits from the public reached NIS 136 billion - an increase of 9.4%, compared to the corresponding period in 2012.

Bank Mizrahi-Tefahot continues to maintain its leadership position in the mortgage market, despite fierce competition, regulatory burden and changes in the real estate market. Year to date, the Bank's market share of housing loans (for residential purpose, including loans secured by the State) is nearly 36%.

This success, due to the strong Tefahot brand and to the professional expertise of our mortgage bankers, has been achieved while maintaining a strict, diligent underwriting policy with strict review of each borrower's repayment capacity - even under a scenario of increased interest rates and macro-economic deterioration, said **Bank President, Mr. Eldad Fresher**.

Mizrahi-Tefahot Bank Ltd.
Highlights of financial statements
As of September 30, 2013 - NIS in millions

Major balance sheet items

	September 30,		Rate of change
	2013	2012 in %	
Loans to the public, net	136,747	126,566	8.0
Deposits from the public	136,011	124,322	9.4
Equity (attributable to equity holders of the banking corporation)	9,574	8,514	12.5
Balance sheet total	173,332	157,810	9.8

Profit and Profitability

	For the nine months ended		Rate of change
	As of September 30, 2013	2012 in %	
Total financing revenues before expenses with respect to credit loss	2,671	2,437	9.6
Commissions and other revenues	1,105	1,105	-
Total revenues	3,776	3,542	6.6
Expenses with respect to credit losses	283	228	24.1
Operating and other expenses	2,178	2,046	6.5
Net profit attributable to equity holders of the banking corporation	826	806	2.5
Net return on equity:			
For the third quarter	13.3%	13.0%	
For the nine-month period ended September 30	12.1%	13.5%	

Financial ratios

	September 30,	
	2013	2012
Credit to the public to balance sheet total	79%	80%
Deposits from the public to balance sheet total	78%	79%
Equity attributable to equity holders of the banking corporation, to balance sheet total	5.5%	5.4%
Expenses with respect to credit losses to loans to the public, net (annualized)	0.28%	0.24%
Cost-income ratio		
For the nine-month period ended September 30	57.7%	57.8%
Ratio of Tier I capital to risk elements	8.84%	8.23%
Total ratio of capital to risk elements	12.96%	13.11%