

August 30, 2011

**Net profit in second quarter: NIS 252 million**

Compared to NIS 200 million in the corresponding period last year

**26.0% growth**

**Return on equity in the second quarter: 15.2%**

Compared to 12.4% in the corresponding period last year

**Net profit in the first half of this year: NIS 490 million**

Compared to NIS 371 million in the corresponding period last year

**32.1% growth**

**Return on equity in the first half: 14.6%**

Compared to 11.5% in the corresponding period last year

**Profit from financing operations in the first half: NIS 1,547 million**

Compared to NIS 1,344 million in the corresponding period last year

**15.1% growth**

**Ratio of total capital to risk elements: 13.61%**

**Ratio of Tier I capital to risk elements: 7.71%**

For additional information, Bank Spokesman: 03-7559227 [shoukron\\_b@umtb.co.il](mailto:shoukron_b@umtb.co.il)

### Raising financial resources through deposits and issuance

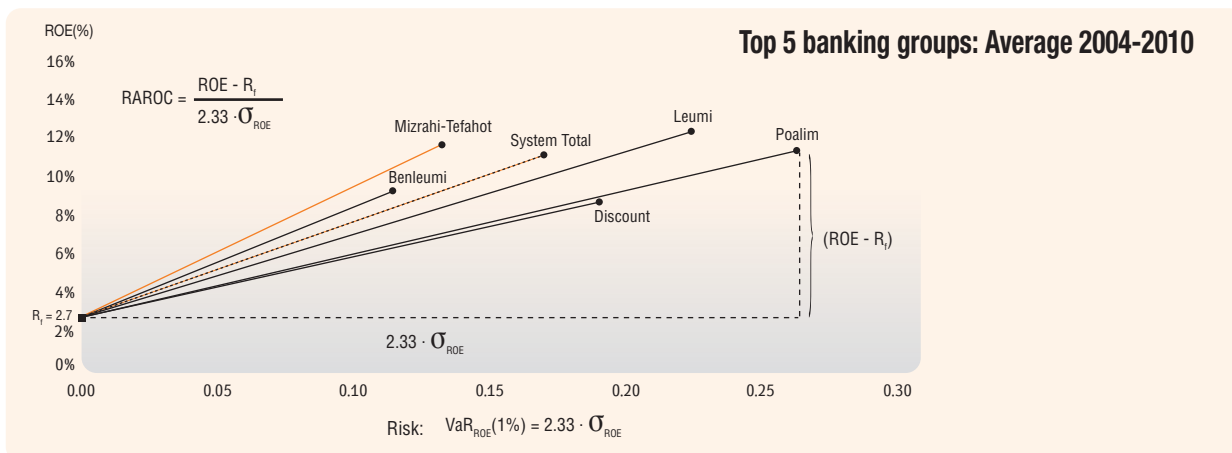
Bank Mizrahi-Tefahot continues to raise financial resources for various time frames through deposits from the public and issuance on the capital market.

In the first half of this year, the Bank raised NIS 5.5 billion in deposits from the public - reflecting an impressive 10.5% annualized growth rate.

At the same time, in February - July of this year, the Bank issued three debenture series to raise a total of over NIS 2.5 billion.

### Risk-adjusted return on capital

The risk-adjusted return on capital (RAROC) benchmark is one of the key benchmarks used by the Bank of Israel to measure performance of the banking system over the years. The 2010 review recently published by the central bank shows that Mizrahi-Tefahot has continuously recorded, over recent years, the best risk / reward performance.



### Bank Yahav return in double figures

After an extended period in which Bank Yahav has made considerable efforts in facing competitive threats, in expanding its license and upgrading its infrastructure and service offering, in the first half of this year Bank Yahav recorded return on equity in double figures - 10.3% compared to only 5.1% in the corresponding period last year.

Bank Yahav's contribution to Group net profit in the first half amounted to NIS 18.2 million.

**Eli Yones: Our return on equity in the second quarter (15.2%) brings us significantly closer to our return on equity target set in our strategic plan**

"Results of the second quarter of this year, headlined by net profit of NIS 252 million, 26% growth over the corresponding period last year, on core banking business basis are evidence to Mizrahi-Tefahot's success in continuing to expand operations with consistent growth in profitability, quarter after quarter.

The return on equity - 15.2% in the second quarter and 14.6% in the first half of 2011 - is a further step in Bank achievement, and brings us significantly closer to the return on equity target set in our strategic plan - 15% by the end of 2013.

Expanded operations are reflected, *inter alia*, by 5% growth in loans to the public in the first half of this year - an impressive 10% annualized growth rate, along with solid growth in revenue items, compared to moderate increase in expense items. Thus, for example, financing profit in the first six months increased by over 15%, while operating and other expenses, excluding the effect of accounting treatment of employee stock options and of adjustment of payroll provisions, grew by only 4.2% year over year.

Despite strong competition, Mizrahi-Tefahot continues to lead Israel's mortgage market; in the first half of 2011, the Bank originated about one third of housing loans (loans for the purpose of buying a residential property), while maintaining a relatively high financial spread, in line with the current risk associated with the residential real estate sector. Bank operations in this sector are based on a conservative approach, designed to limit risk of each loan by carefully aligning the loan-to-value ratio, loan structure and components with personal borrower attributes and repayment capacity.

Retail credit: Mortgages and consumer credit for households, continue to be a major portion of the Bank's total loans - around 69% - which once again indicates the Bank's low risk profile and calculated risk management policy, thanks to which Mizrahi-Tefahot has been achieving, for years, the best risk / return ratio in the Israeli banking system", said **Bank President Eli Yones**.

## Mizrahi-Tefahot Bank Ltd.

### Highlights of financial statements

#### As of June 30, 2011 - NIS in millions

#### Major balance sheet items

	June 30,		Change
	2011	2010	in %
Loans to the public, net	112,391	101,007	11.3
Deposits from the public	111,496	101,629	9.7
Equity attributable to equity holders of the banking corporation	7,139	6,814	4.8
Balance sheet total	139,232	125,421	11.0

#### Profit and Profitability

	For the six months ended June 30		Change
	2011	2010	in %
Profit from financing operations before expenses with respect to credit loss	1,547	1,344	15.1
Operating and other income	699	682	2.5
<b>Total financing and operating income</b>	<b>2,246</b>	<b>2,026</b>	<b>10.9</b>
Expenses with respect to credit loss	134	179	(25.1)
Operating and other expenses	1,328	1,250	6.2
Operating and other expenses	<b>1,303</b>	<b>1,250</b>	<b>4.2</b>
<b>Net profit attributable to equity holders of the banking corporation</b>	<b>490</b>	<b>371</b>	<b>32.1</b>
<b>Net return on equity</b>	<b>14.6%</b>	<b>11.5%</b>	

#### Financial ratios

	June 30,	
	2011	2010
June 30,	81%	81%
Deposits from the public to balance sheet total	80%	81%
Deposits from the public to balance sheet total	5.13%	5.43%
Expenses with respect to credit loss to loans to the public, net	0.24%	0.35%
Cost-Income Ratio, excluding Bank Yahav	55.2%	59.0%
Ratio of Tier I capital to risk elements	7.71%	7.70%
Total ratio of capital to risk elements	13.61%	13.69%