August 16, 2010

Net profit in second quarter: NIS 201 million
Compared to NIS 150 million in the corresponding period last year
34.0% growth

Return on equity in the second quarter:12.3%
Compared to 10.1% in the corresponding period last year

Net profit in the first half of this year: NIS 373 million
Compared to NIS 260 million in the corresponding period last year
43.5% growth

Return on equity in the first half: 11.4%
Compared to 8.7% in the corresponding period last year

Profit from financing operations in the second quarter: NIS 714 million
Compared to NIS 564 million in the corresponding period last year
26.6% growth

Dividend Payment of NIS 200 million:
On August 16, 2010, the Bank's Board of Directors decided to pay a dividend amounting to NIS 200 million. The effective date for dividend payment is August 23, 2010; the ex-dividend date is August 24, 2010; and the payment date is September 8, 2010.

Ratio of total capital to risk elements(1) : 1385%.

Ratio of Tier I capital to risk elements(1) : 7.81%

(1) After the effect of the dividend delcared on August 16, 2010.

Capital adequacy - Tier I capital ratio

On June 30, 2010, the Supervisor of Banks issued a letter to banking corporations, on capital policy for interim periods, in which they are required to adopt a target for Tier I capital ratio by December 31, 2010, to be no less than 7.5%. Concurrently, the banks are required to submit to the Supervisor a work plan for achieving this target.

Once the Bank determines the final Tier I capital adequacy ratio, in accordance with requirements of the Supervisor of Banks, and after conclusion of the supervisory review process of the Bank's capital adequacy, an appropriate update will have to be made to the target return on average equity for the purpose of the Bank's strategic plan.

The Bank's Tier I capital ratio as of June 30, 2010, after the effect of the dividend delcared, was 7.81%.

Risk management policy

Risk management at Mizrahi-Tefahot Group is carried out on regular basis in accordance with directives of the Bank of Israel and pursuant to the framework set forth in Basle II, Pillar 2. To this end, the Group appointed Risk Managers and a CRO, who is in executive management, responsible for operations of the Risk Control Division. In the second quarter of 2010, the Bank concluded action to regulate activities of the CRO. Further, the Bank created an internal control forum, designed to coordinate the different Bank entities involved with internal control issues.

The risk management policies in the various areas are intended to support the achievement of the Bank’s business goals while limiting exposure to such risk. The success of this policy is reflected in data published recently by the Bank of Israel in its 2009 review. This data shows that using the risk-adjusted return on capital benchmark (RAROC), in the period 2005-2009, Bank Mizrahi-Tefahot had the best ratio of return on equity with a low risk profile.

Expansion of retail operations

In the first half of 2010, Mizrahi-Tefahot continued to rapidly expand its retail operations - households and small business, even excluding housing loans. The increase in credit extended to these operations in the first half of this year amounted to NIS 913 million, or 9.5% annualized growth.

Credit to households increased in the first half of this year by NIS 675 million, or an annualized 9.2% growth; while credit to small business increased in the first half by NIS 256 million, or 10.7% annualized growth.

Eli Yones: Bank profit in the second quarter of 2010 recorded a new high; results indicate continued improvement in operations - in line with the strategic plan

"Results of the second quarter of this year, headlined by net profit of NIS 201 million, 34% growth over the corresponding period last year, on core banking business basis, are a new record, evidence to Mizrahi-Tefahot's success in continuing to track its strategic plan, with significant growth in profitability. The improved operations are consistently reflected in all revenue and expense items.

Thus, for example, the Bank increased by 26.6% its financing profit in the second quarter, to NIS 714 million, recording a respectable 5.8% increase in operating commissions in the first half of this year, to NIS 658 million. Concurrently, the Bank continues its cost-cutting policy: Operating and other expenses increased by 3.7% in the second quarter, with a more modest 2.6% increase in payroll and associated expenses.

Despite tougher competition, Mizrahi-Tefahot continues to lead Israel's mortgage market; in the first half, 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 real estate sector.

Housing loans, together with loans to households, continue to be a major portion of the Bank's total loans - around 68% - 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 ratio of return to risk in the banking system.

The Bank's unique risk profile, and its wide capital base, enabled the Board of Directors to decide to re-activate the Bank's dividend policy, and to pay in the coming month a dividend amounting to NIS 200 million, from the bank's profits.

The moves made by the Bank in recent years, from the merger of Bank HaMizrahi and Bank Tefahot, to the client recruitment campaign which has been on-going since late 2009, have earned the Bank an impressive range of EFFIE awards for effective advertising and marketing, expressing recognition of the unique, original way in which the Bank's branding, advertising and marketing activities have been combined with its strategic plan, to support its growth and expansion objectives, said **Bank President, Mr. Eli Yones**.

Mizrahi-Tefahot Bank Ltd.
Highlights of financial statements
As of June 30, 2010 - NIS in millions

Major balance sheet items

	June 30,		
	2010	2009	Change in %
Securities	7,411	8,188	(9.5)
Credit to the public	101,007	92,645	9.0
Deposits from the public	101,629	93,744	8.4
Shareholders' equity	6,901	6,325	9.1
Balance sheet total	125,384	116,298	7.8

Profit and Profitability

	For the six months ended June 30		
	2010	2009	Change in %
Profit from financing operations before provision for doubtful debts	1,344	1,148	17.1
Provision for doubtful debts	179	186	(3.8)
Operating and other revenues	682	651	4.8
Operating and other expenses	1,248	1,201	3.9
Net profit	373	260	43.5
Net return on equity	11.4%	8.7%	

Financial ratios

	June 30,	
	2010	2009
Credit to the public to balance sheet total	81%	89%
Deposits from the public to balance sheet total	81%	81%
Shareholders' equity to balance sheet total	5.50%	5.44%
Provision for doubtful debts out of credit to the public	0.35%	0.40%
Operational coverage ratio	54.6%	54.2%
Cost-Income Ratio, excluding Bank Yahav	59.0%	64.8%
Ratio of Tier I capital to risk elements	(1) 7.81%	(2) 6.88%
Total ratio of capital to risk elements	(1) 13.85%	(2) 12.24%
	Basle II (1)	Basle I (2)