Financial Statements

30 September 2008

MIZRAHI TEFAHOT

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 has not been independently verified. No representation or warranty express or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein. 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.

This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose. The distribution of this document may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. By accepting this report you agree to be bound by the foregoing instructions.

Forward looking statements for the company's business, financial condition and results of operations, are subject to risks and uncertainties, that could cause actual results to differ materially from those contemplated. Such forward looking statements, include but are not limited to, product demand, pricing, market acceptance, changing economic conditions, risks in product and technology development and the effect of the company's accounting policies, as well as certain other risk factors which are detailed from time to time in the company's filings with the securities authorities.

Recent economic developments may effect the growth path

<u>**Some major risk factors that may fundamentally influence the group's financial results**</u>

Regulatory risks

The forecast — *Regulatory orders that will substantially change the competitive environment in Israel are not expected*

The risk — *Regulatory orders can effect the Group's business environment and ability to offer certain services*

Domestic economy risks

The forecast — *Domestic average annual growth of 3.5%*

Risk realization — *Expected economic slowdown and decreased growth rate may negatively effect the Group's business activities*

Geo political risks

The forecast — *Geo political situation is not expected to substantially change*

The risk — *Lack of security/political stability in Israel can cause an overall slowdown of the economy*

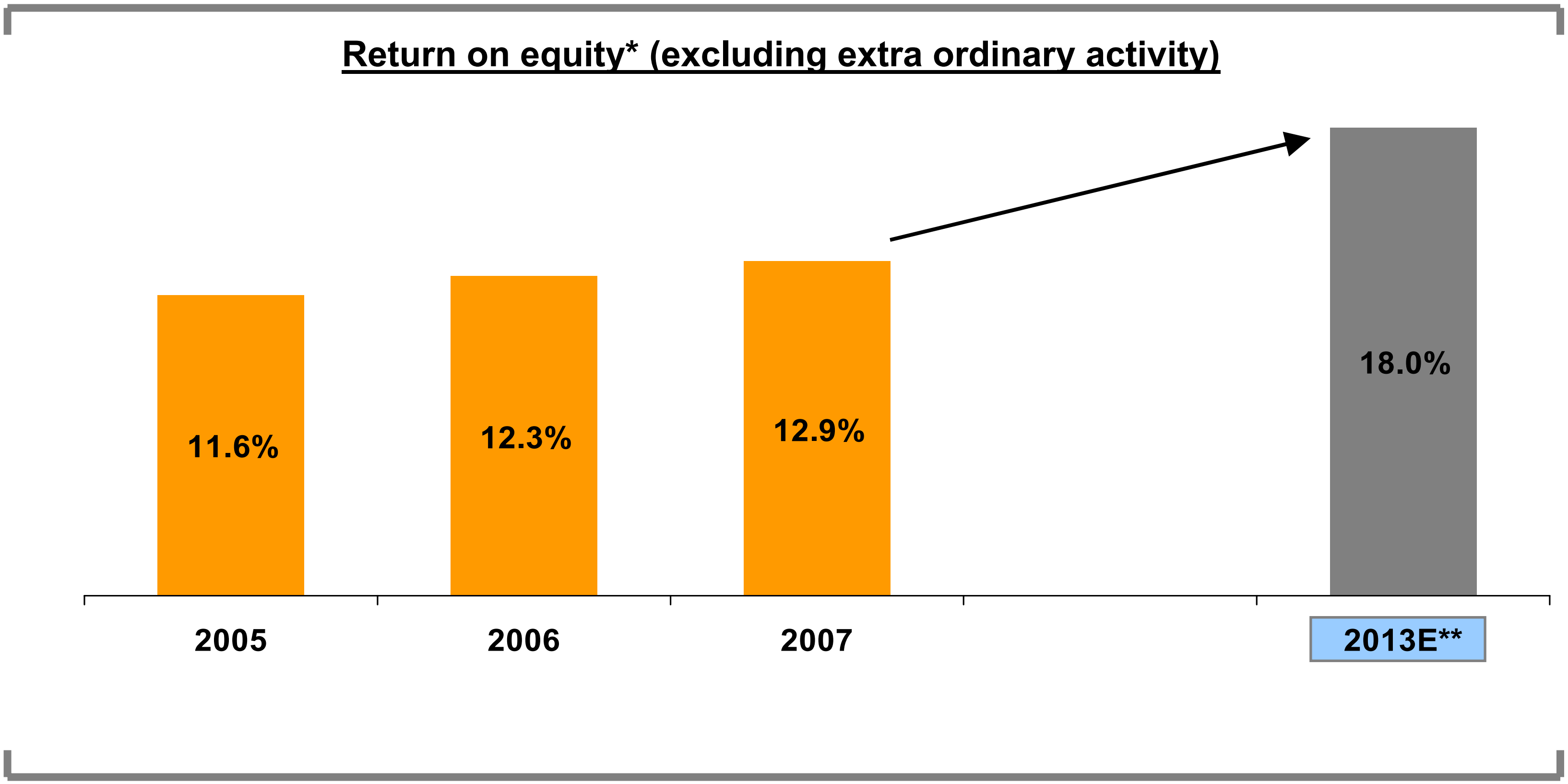
Global economy risks

The forecast — *Global credit crunch will not have a significant effect on the Israeli economy*

Risk realization — *A slowdown in the world markets can severely affect some of the Israeli businesses and their international activity*

Some original risk factors have materialized, hence original plan should be modified accordingly

In light of recent economic developments the implementation of the Group's strategic plan was extended to 2013



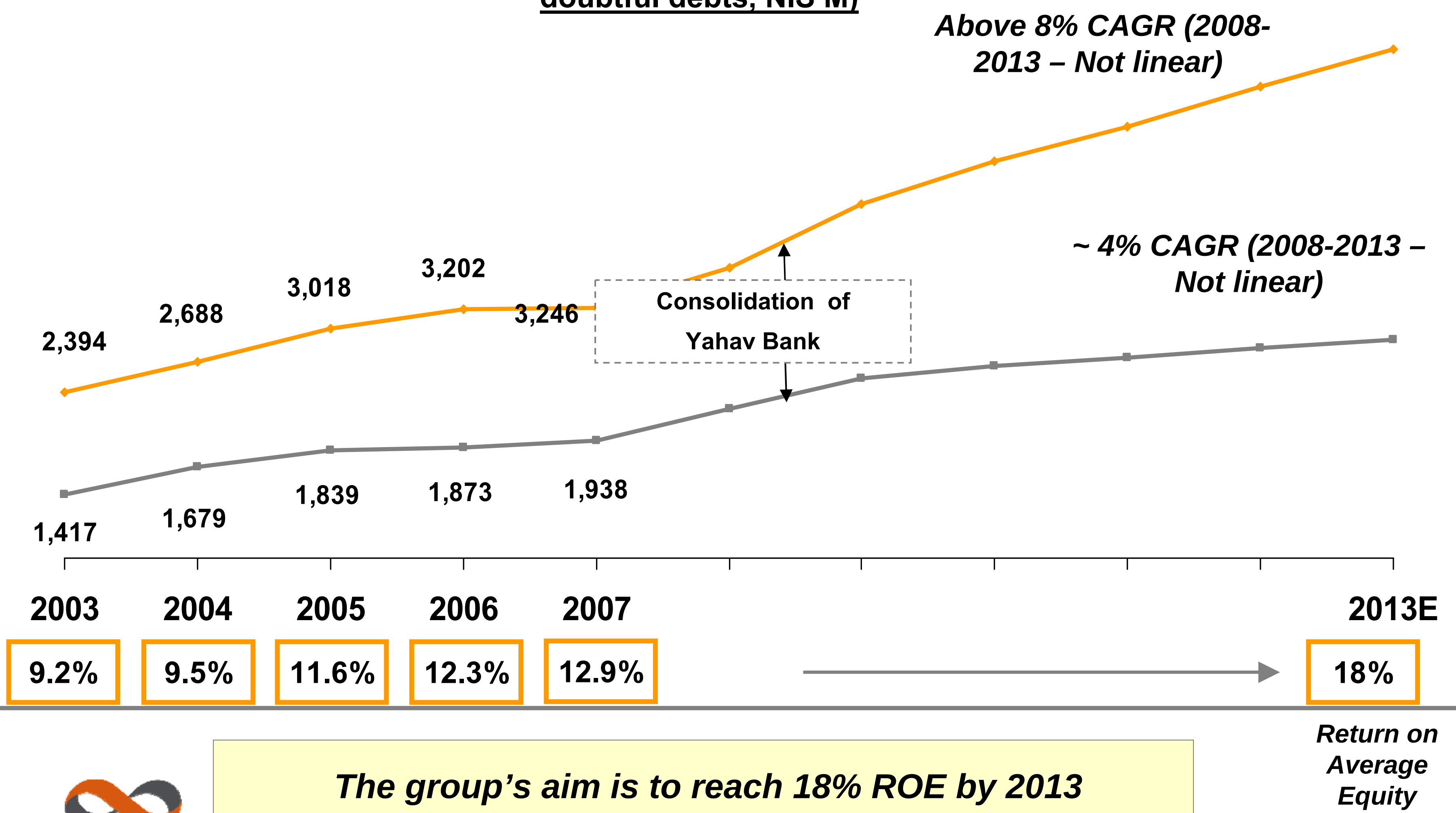
The ROE target of 18% will be achieved by 2013 (rather than 2012 at the original strategic plan)

** Starting 2007, Bank of Israel changed the ROE calculation method from equity at the beginning of the year to an average equity for the time period. Future goals include the influence of the implementation of Basel II regulations*

*** Not including the potential of acquisition/international activity.*

In summary, the group's target is to achieve a margin exceeding 4% between profits and expenses

Profits, expenses* and return on equity (consolidated, before provisions for doubtful debts, NIS M)



The group's aim is to reach 18% ROE by 2013

** Excluding retirements expenses*

MIZRAHI TEFAHOT

Merging Bank Adanim for Mortgages into Mizrahi Tefahot Bank

The business rational

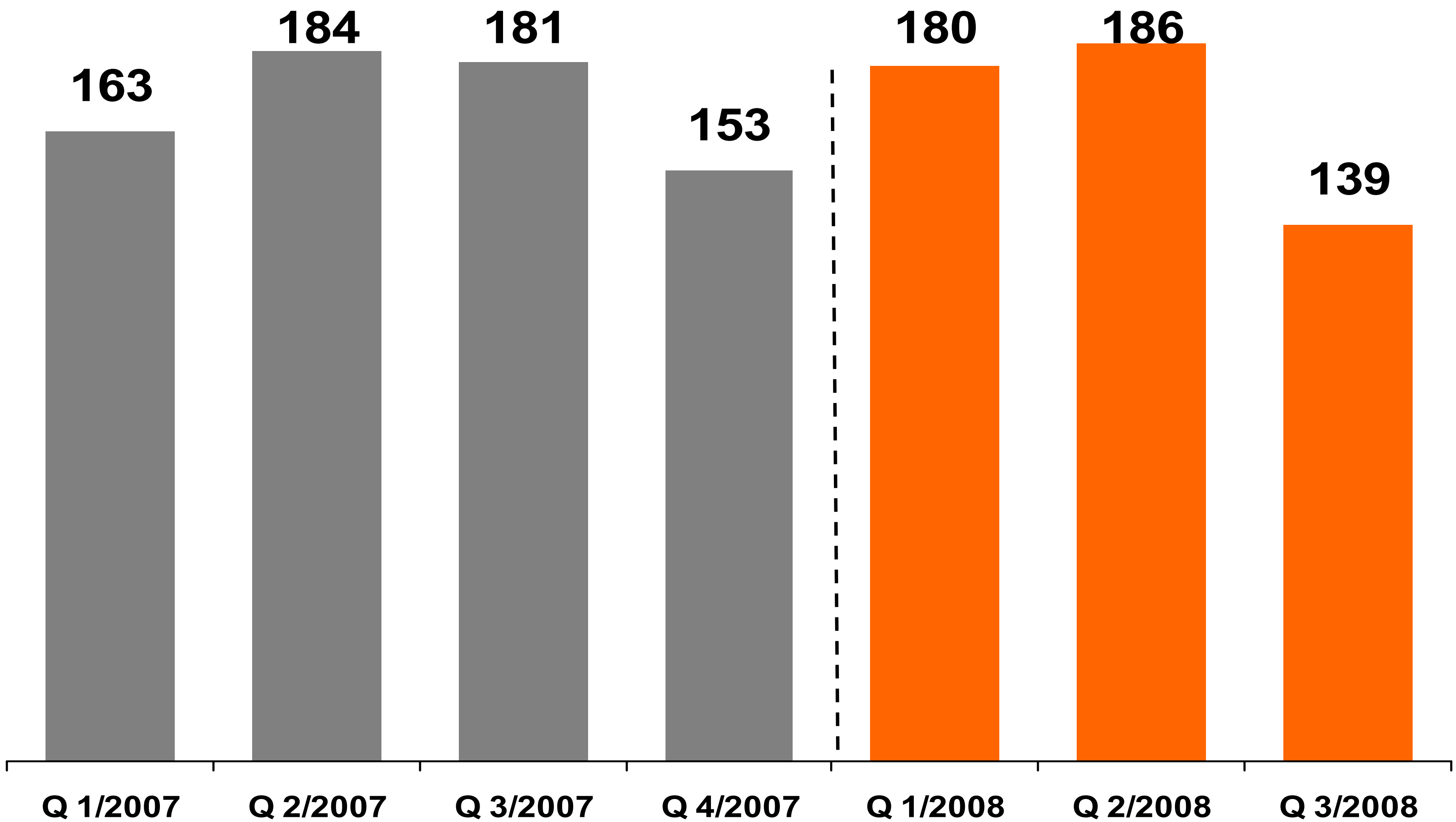
- **Cost saving – salaries, maintenance & depreciation and other**
- **Greater efficiency of processes as part of the long term efficiency plan**
- **Managerial focus**
- **Potential target accounts conversion or cross selling**

Bank Adanim – general information

- **Number of credit accounts – 17000**
- **Total number of accounts – 20000**
- **Number of branches – 10**
- **Number of employees – 135 of which 73 HO employees**

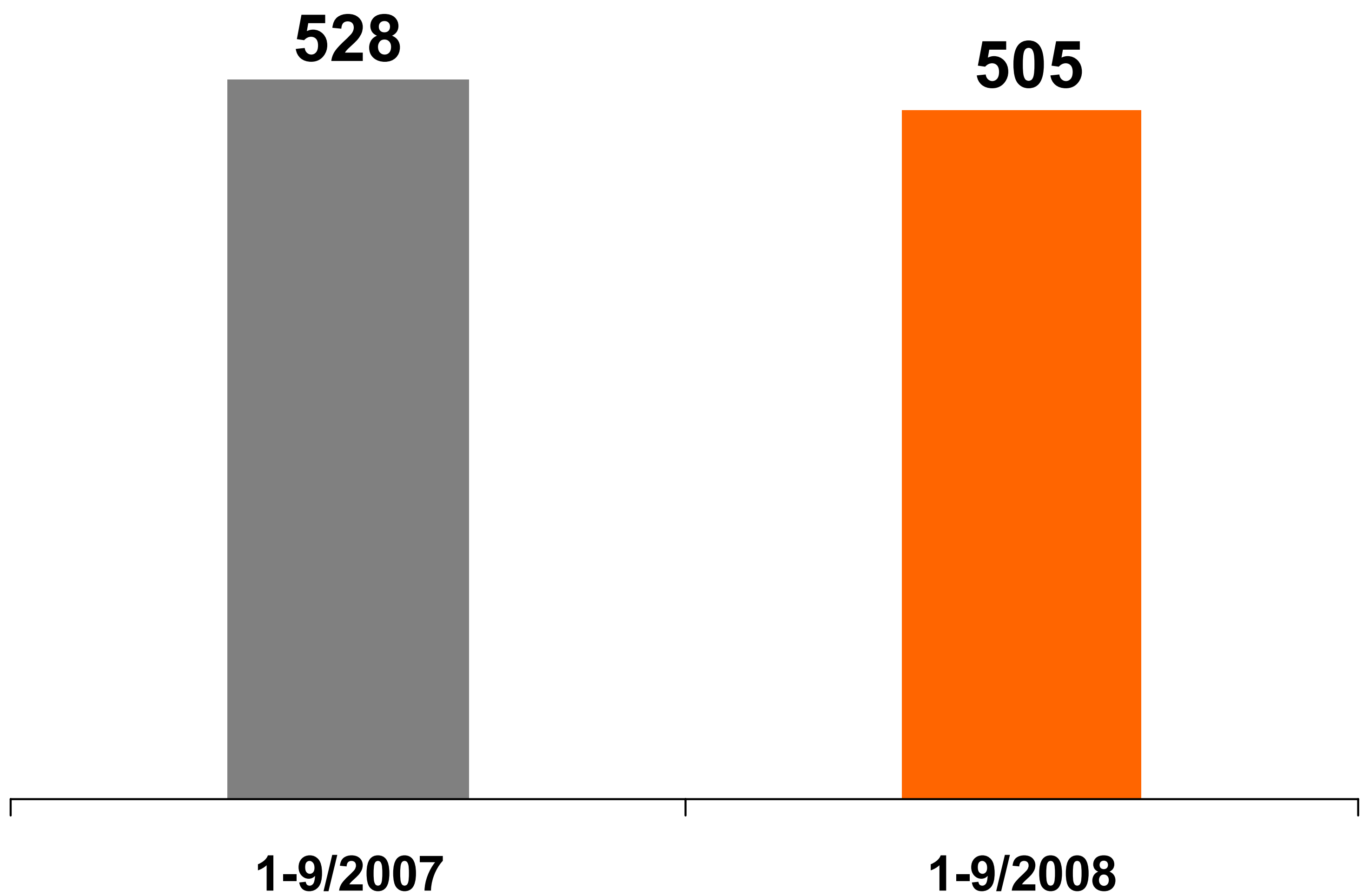
The forecasted annual reduction of expenses due to the merger of Bank Adanim is NIS 24 mil (with the completion of the merger, during 2010)

Net Operating Profit (mil NIS)



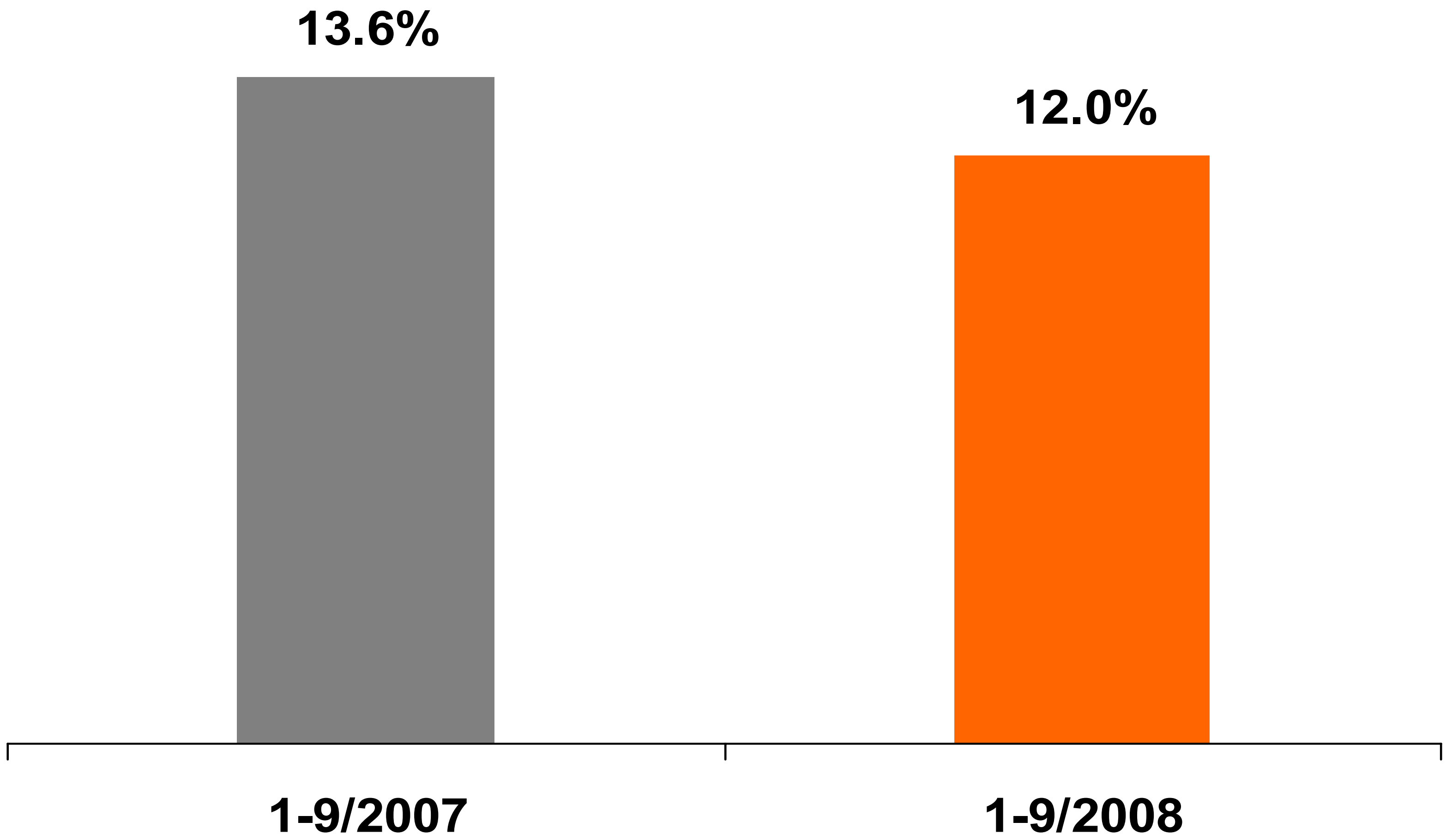
MIZRAHI TEFAHOT

Net Operating Profit (mil NIS)



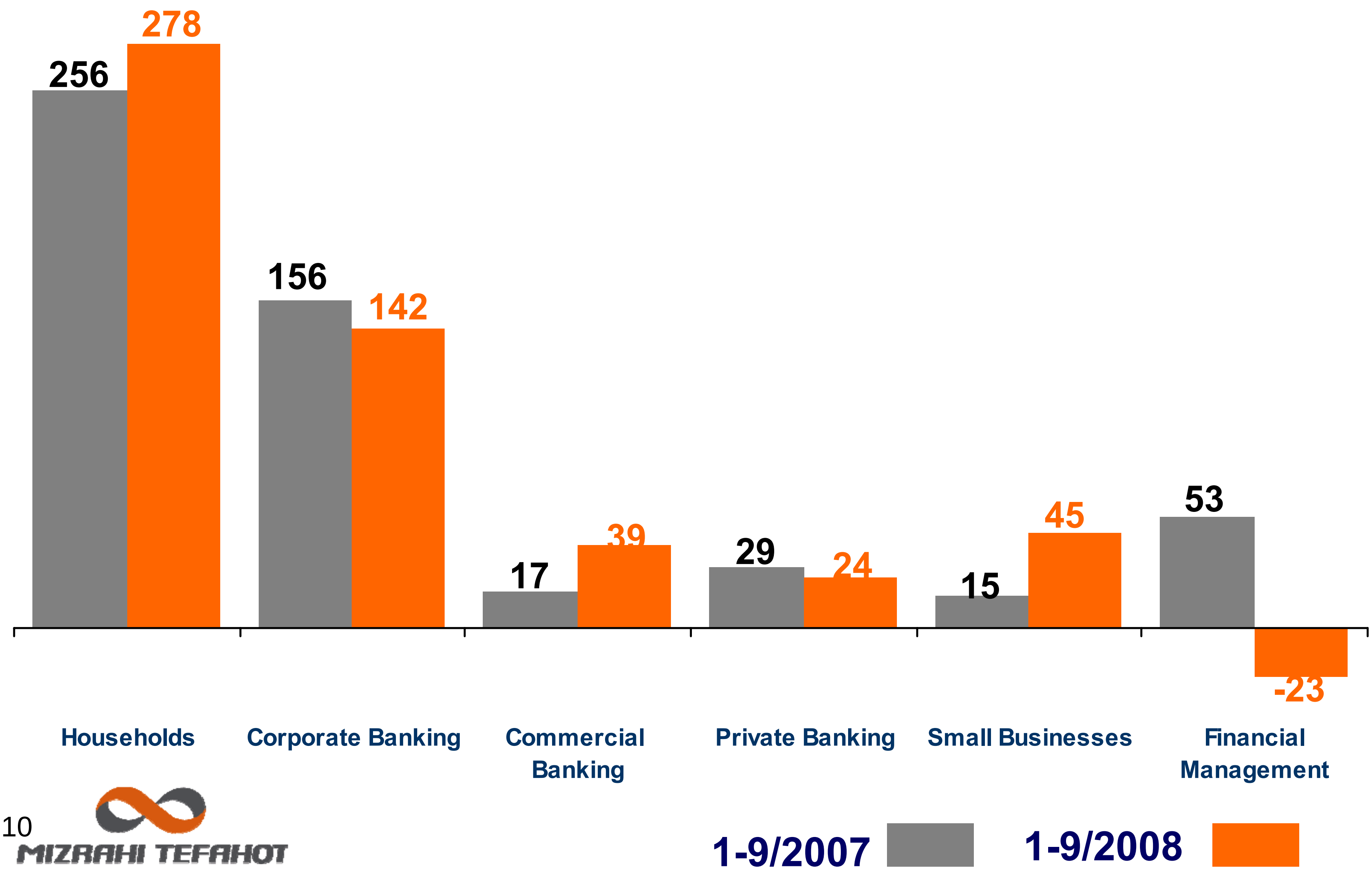
MIZRAHI TEFAHOT

Net Operating Profit – Return on Equity



MIZRAHI TEFAHOT

Net Operating Profit by Main Operating Segments (mil NIS)

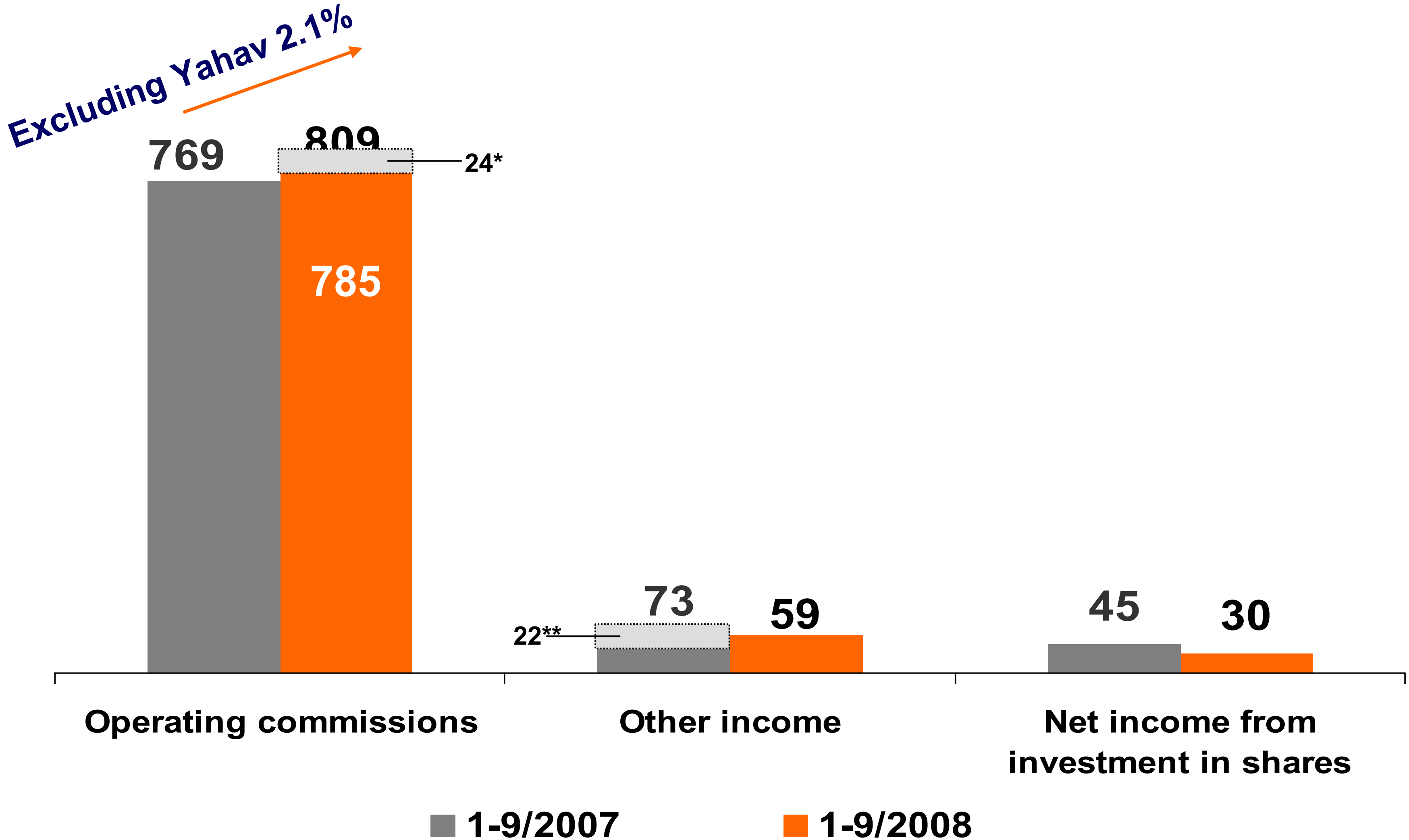


MIZRAHI TEFAHOT

Profit from Financing Operations before Provision for Doubtful Debts (mil NIS)

	1-9/2008	1-9/2007	% 1-9/2008 to 1-9/2007
Profit from ordinary activities	1,630	1,499	8.7
Profit (Loss) on sales of debentures, net	(86)	2	-
Interest income on problem debts	105	123	-
Fair value adjustments & Others	(17)	(105)	-
Bank Yahav	69	-	-
Total profit from financing operations	1,701	1,519	12.0

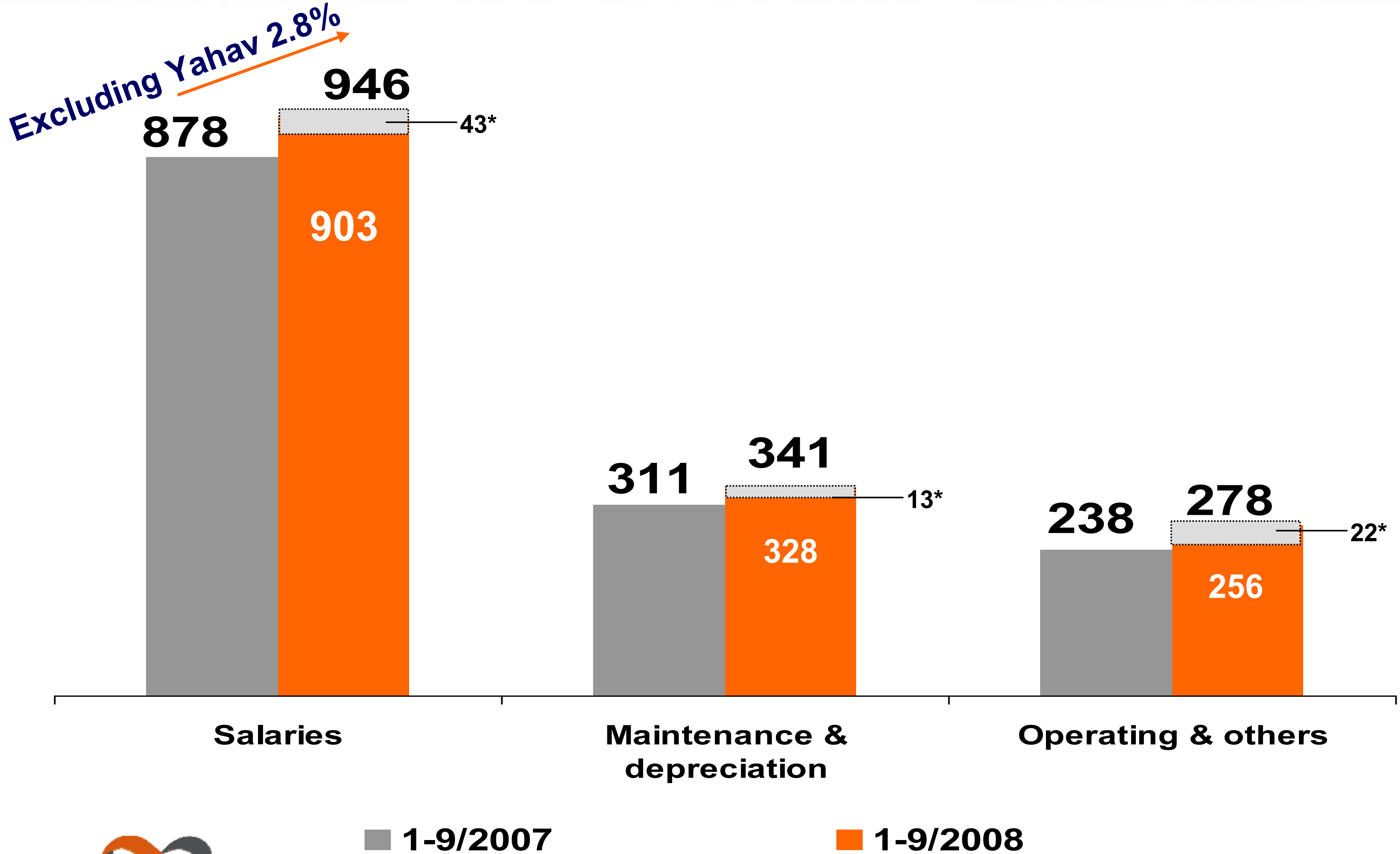
Operating and Other Income – Analysis (mil NIS)



MIZRAHI TEFAHOT

* *Yahav*
** *Provident funds management fees*

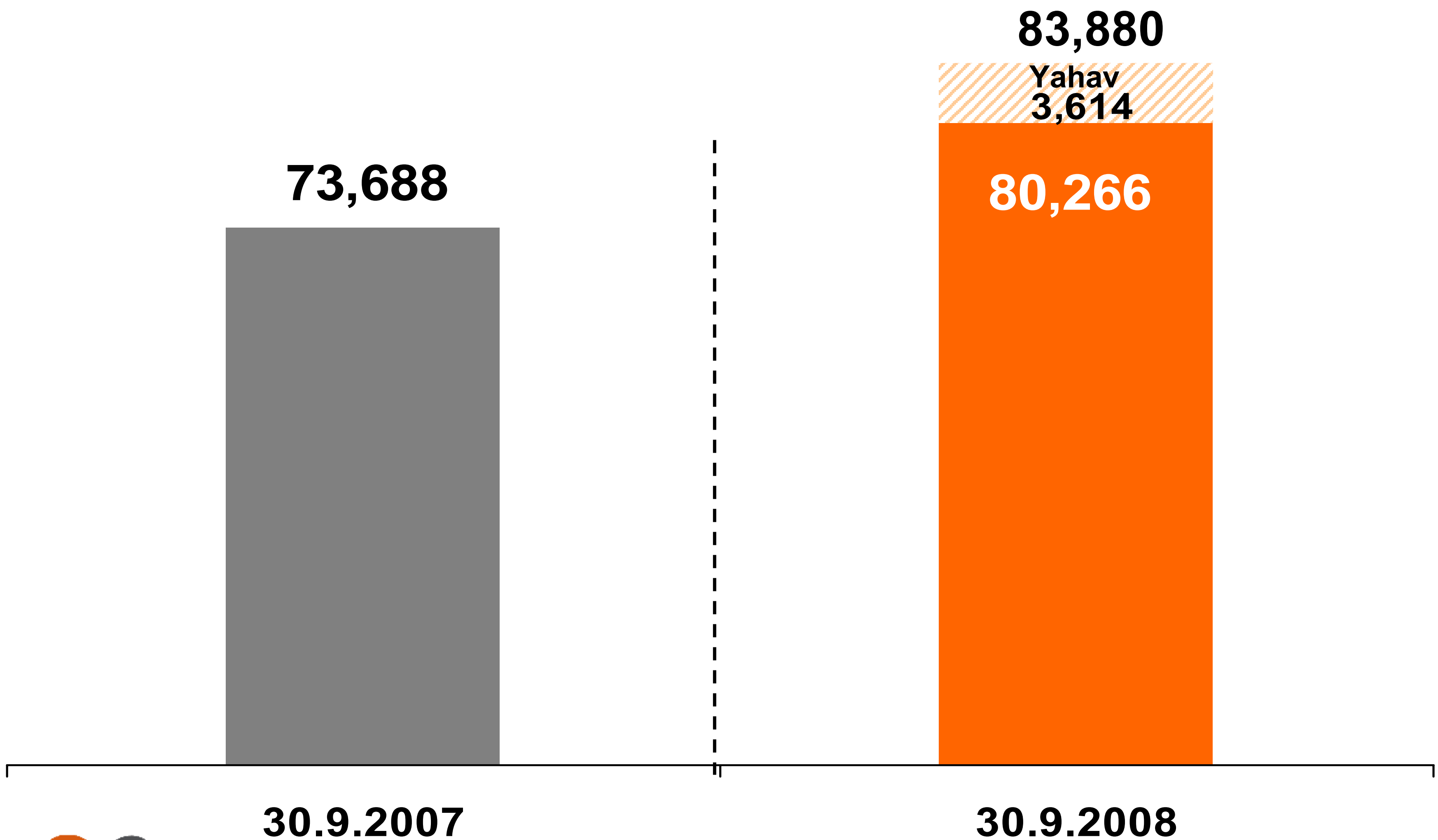
Operating & Other Expenses – Analysis (mil NIS)



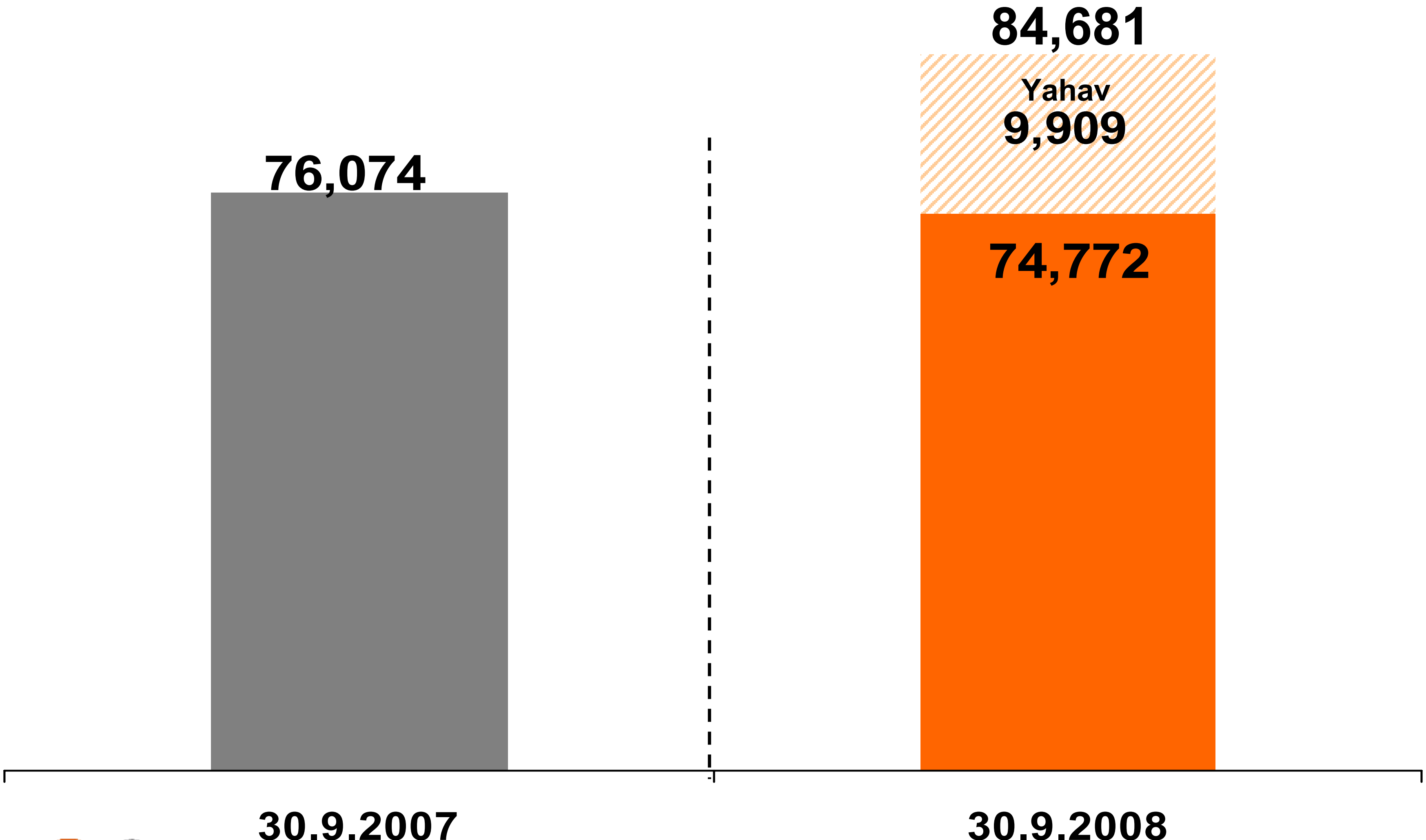
* Yahav

MIZRAHI TEFAHOT

Loans to the Public (mil NIS)

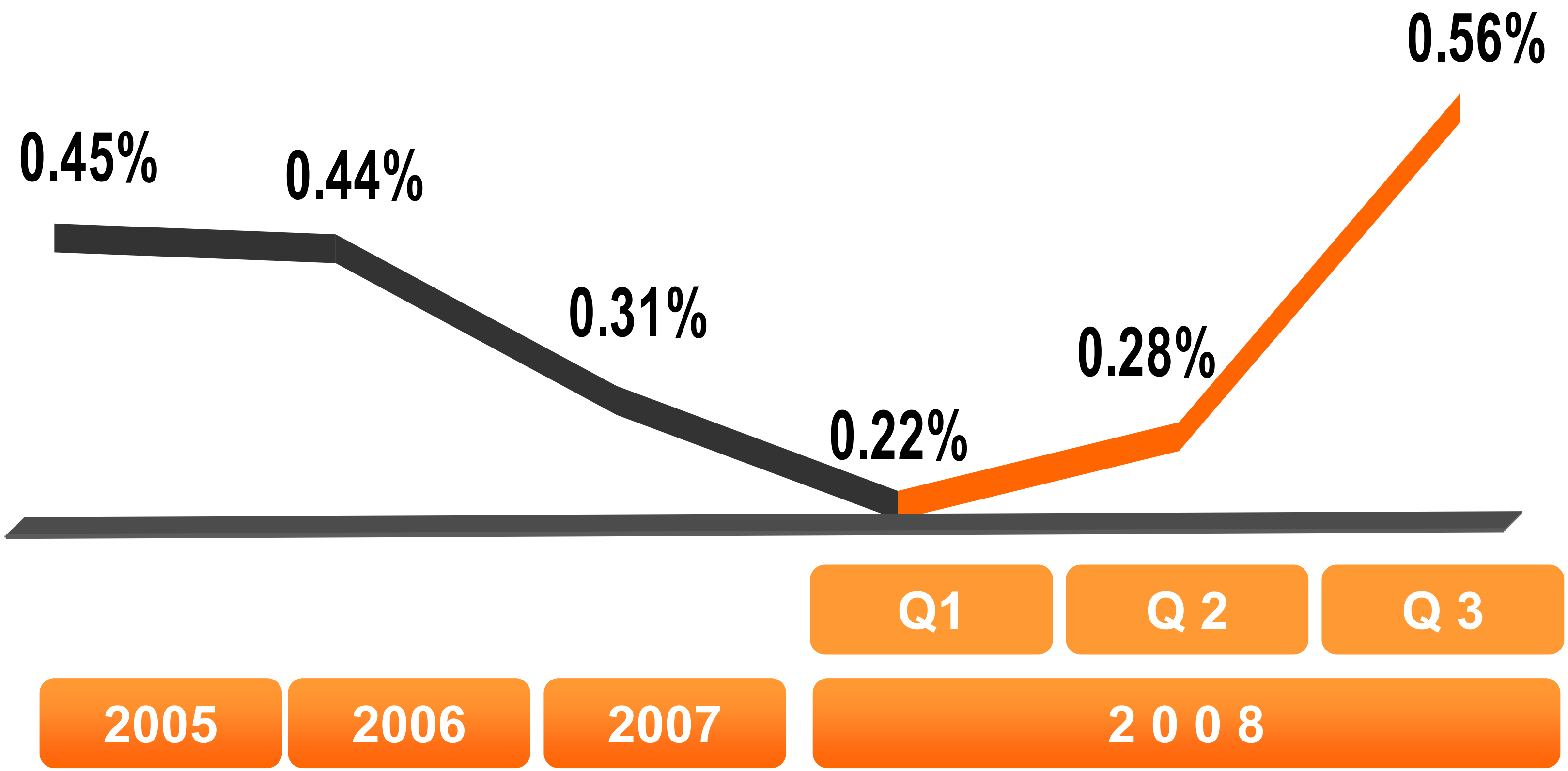


Deposits from the Public (mil NIS)



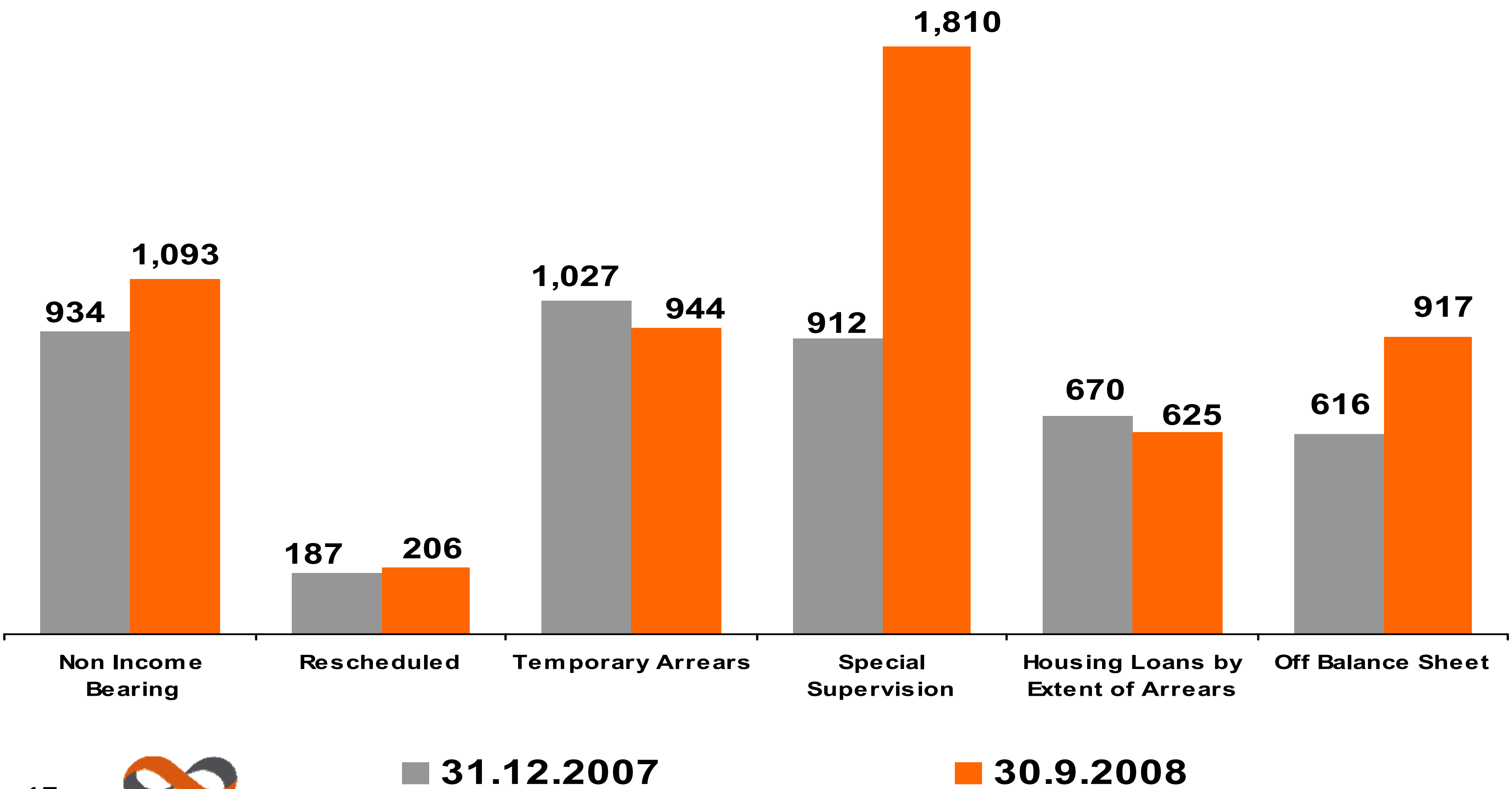
MIZRAHI TEFAHOT

Ratio of Provisions / Loans to the Public



MIZRAHI TEFAHOT

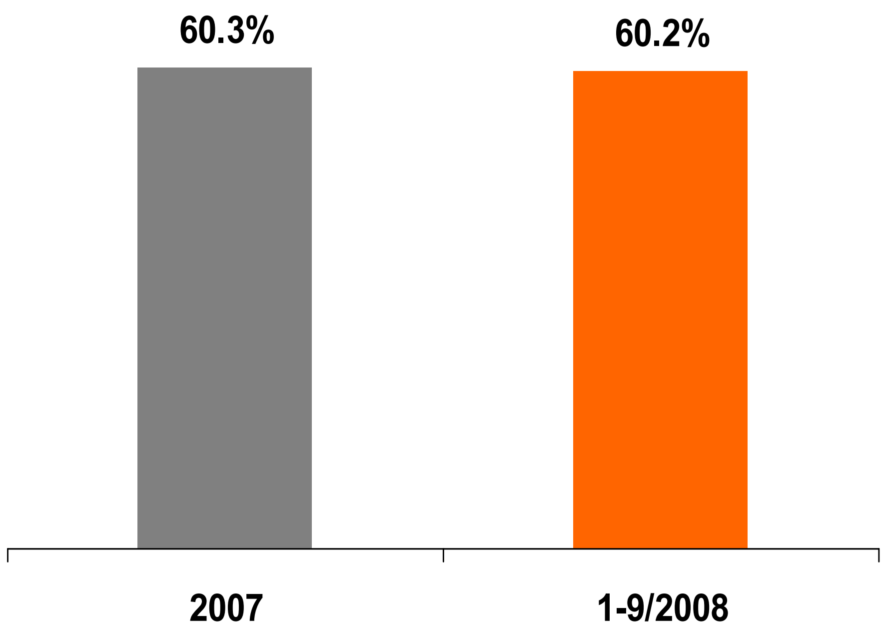
Problem Debts – Analysis (mil NIS)



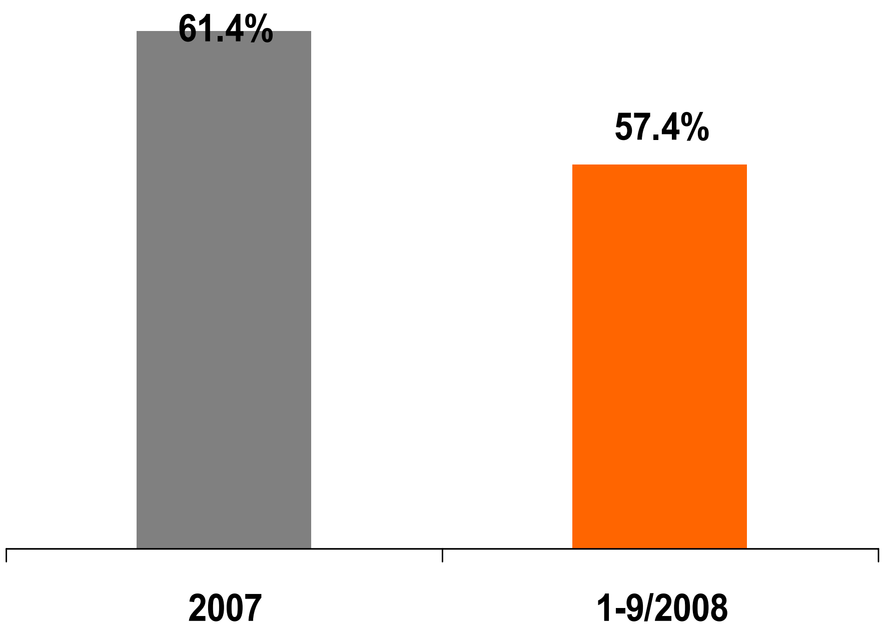
MIZRAHI TEFAHOT

Efficiency Ratios

Cost / Income Ratio



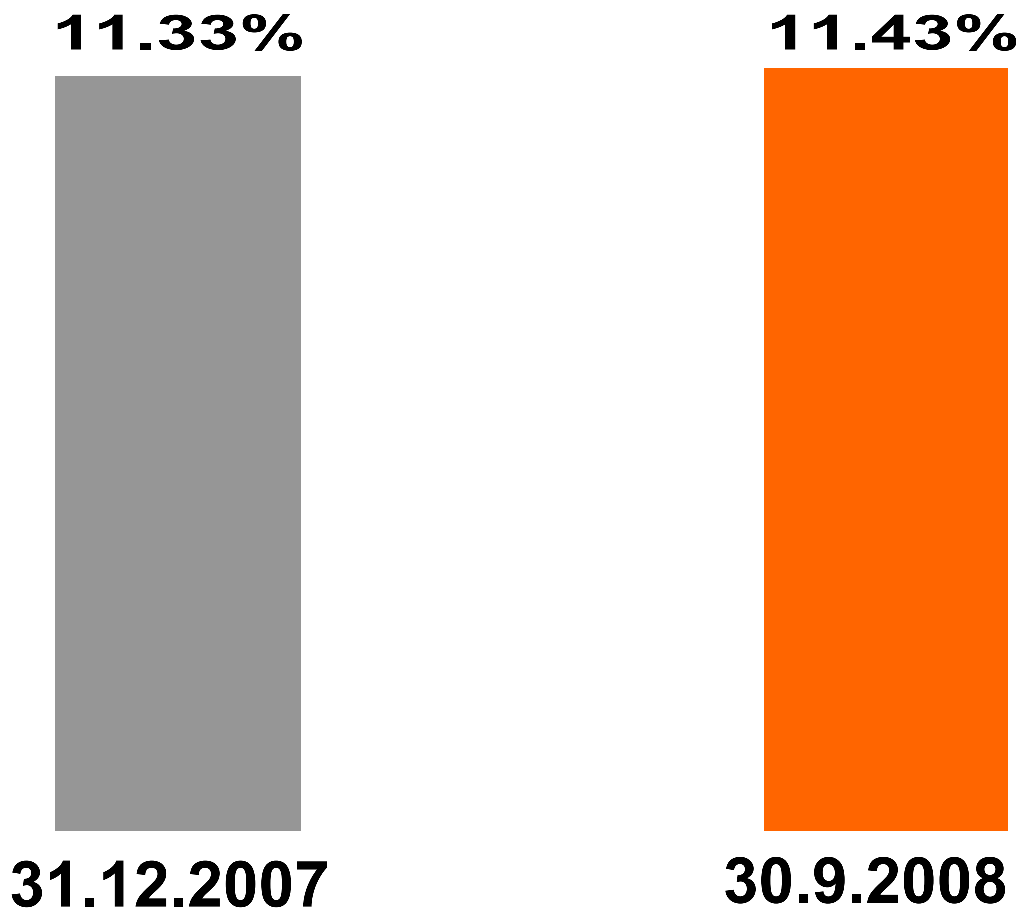
Coverage Ratio



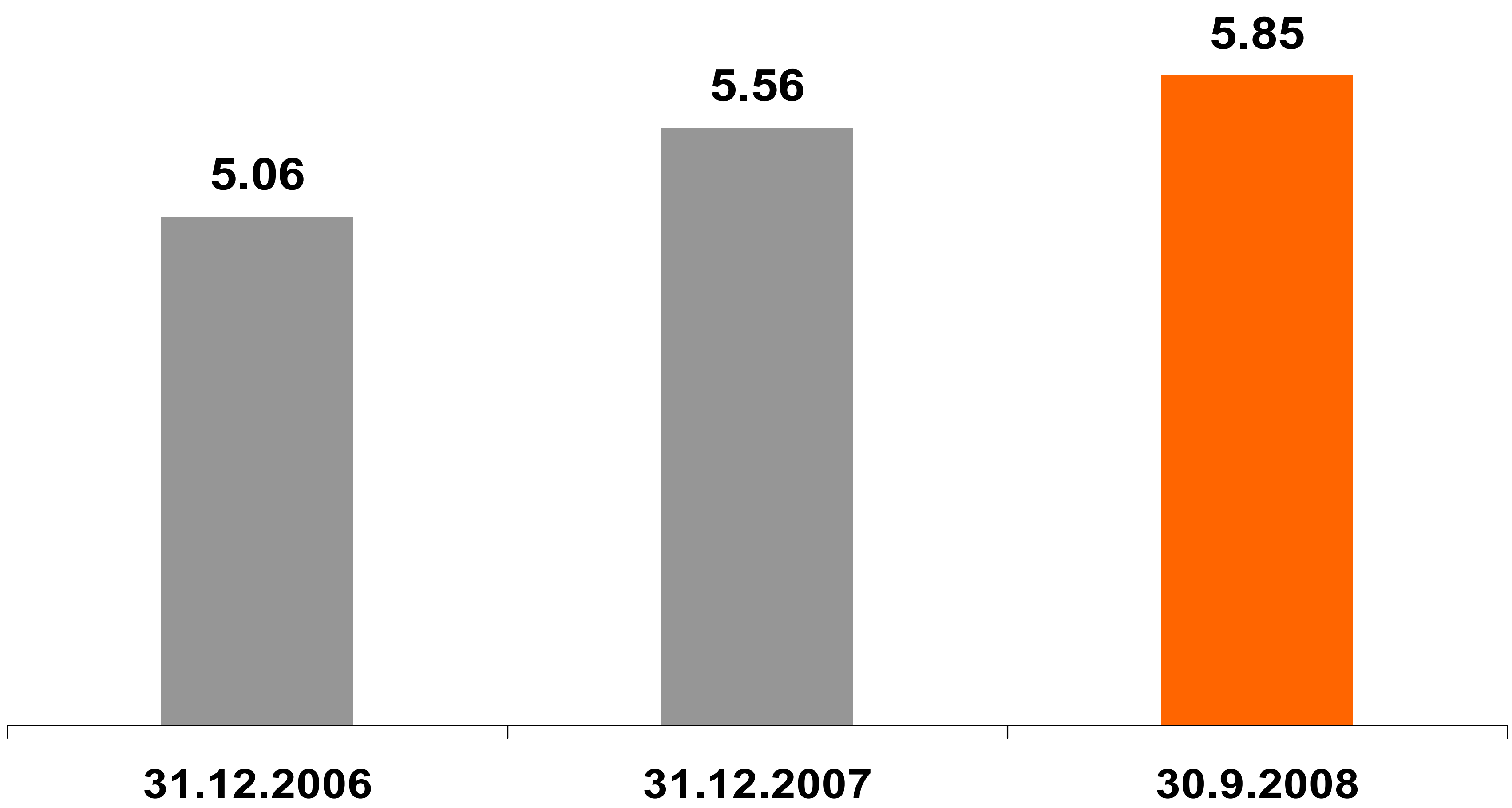
Cost/Income ratio = non-interest expenses divided by total pre-provision income and operating income
Coverage ratio = operating income divided by non-interest expenses

MIZRAHI TEFAHOT

Capital Adequacy



Equity (Bil NIS)



MIZRAHI TEFAHOT