

November 13, 2017

In the third quarter of 2017, management and the Employee Association reached understandings with regard to a new wage agreement at the Bank for the years 2016-2021. **The effect of the agreement** on net profit in the third quarter amounted to **NIS 104 million.**

The known CPI in the third quarter declined by 0.5%. **The impact of the negative CPI** on net profit in the third quarter amounted to **NIS 40 million.**

**Net profit for the third quarter (taking into account the aforementioned effects): NIS 261 million**

**Return on equity: 8.0%**

**Net profit for the first nine months: NIS 982 million**

**Return on equity: 10.1%**

**Financing revenues from current operations in the third quarter:  
NIS 1,105 million**

**Compared to NIS 990 million in the corresponding period in 2016  
11.6% growth**

**Loans to the public at the end of the quarter: NIS 178.6 billion  
An increase of 5.9% compared to the corresponding period last year**

**Deposits from the public at the end of the quarter: NIS 184.2 billion  
An increase of 6.0% compared to the corresponding period last year**

**Dividend amounting to NIS 78.3 million to be distributed with respect to  
third quarter earnings**

## **Profit and profitability in view of unusual effects**

Bank operations in the third quarter of 2017 saw continued growth and expansion in most business activity channels, along with unusual effects on expenses and net profit, due to understandings reached with the Employee Association and the negative CPI.

Excluding these two effects, which together reduced net profit by NIS 144 million, the Bank's net profit in the third quarter of 2017 would have amounted to NIS 405 million, an increase of 8.6% compared to the third quarter of 2016, reflecting return on equity of 12.6%. Net profit in the first nine months of the year would have amounted to NIS 1,086 million, an increase of 8.5% compared to the corresponding period last year, reflecting return on equity of 11.2%.

## **Continued growth in loans to individuals and businesses**

The 5.9% increase in loans to the public at the end of the third quarter of 2017, compared to the corresponding period last year, reflects continued growth in both loans to individuals and loans to businesses.

Thus, *inter alia*, non-housing loans to households amounted to NIS 19.4 billion at the end of the third quarter of this year, an increase of 6.7% compared to the corresponding period in 2016; loans to small and micro businesses amounted to NIS 16.1 billion an increase of 9.1% compared the corresponding period last year, and loans to medium-sized businesses rose sharply by 15.4% compared to end of the third quarter of 2016.

## **Successful bond issuance and continued cooperation with institutional investors**

Given the considerable trust enjoyed by the Bank in the capital market, Mizrahi-Tefahot issued three bonds series in the third quarter of 2017. Due to the large demand from many institutional investors and due to attractive interest rates, the Bank raised more than NIS 3.5 billion in this issuance.

Concurrently, the cooperation with institutional investors for sale of mortgage portfolios continued. In the third quarter, the Bank and institutional investors signed an agreement for sale of 80% of a housing loan portfolio, valued in total at NIS 683 million. A similar transaction was conducted in the first quarter of this year; in total, housing loan portfolios sold to institutional investors in 2017 were valued at NIS 1.6 billion.

**Eldad Fresher: Bank operations continue to grow;**  
**the new wage agreement will allow us to take**  
**another leap forward in coming years**

"Data for the third quarter of 2017 indicate continued growth of Bank operations reflected, *inter alia*, in growth in most balance sheet items. Growth in financing revenues in the first nine months of this year, compared to the corresponding period last year, came from all segments, individuals and businesses, in most of them a double-digit growth. Financing revenues from current operations in the first nine months amounted to NIS 3,223 million, compared to NIS 2,858 million in the corresponding period last year – a sharp increase by 12.8%.

Despite the effect of understandings reached with the Employee Association, which reduced net profit by NIS 104 million, the Bank achieved return on equity of 10.1% in the first nine months of this year, compared with 10.2% in all of 2016.

Adhering to its human banking strategy, Mizrahi-Tefahot continues to expand the branch network, in line with the strategic plan, with closer relationships between the client and the personal banker at the branch. Concurrently, the Bank continues to invest considerable effort and resources in order to provide clients with the most useful, advanced digital channels.

Following introduction of the new computer system early this year, Yahav Bank is returning to a normative profitability outline, successfully growing its business and contribution to Group profitability from quarter to quarter.

The new wage agreement for 2016-2021, expected to be signed soon, will allow the Bank to take another leap forward, while optimizing preparations for the challenges it will face in coming years. The agreement consists of multiple significant components, including: Full industrial peace at the Bank through the term of the agreement; Engagement of all Bank employees, at no additional cost, in mergers and acquisitions, if any; performance-based remuneration, based on achievement of the strategic plan's objectives; Reduction of the maximum seniority pay increment and even higher flexibility for management.

In accordance with the Bank's dividend policy, whereby a dividend of 30% of net profit will be distributed quarterly, the Bank will distribute a dividend of more than NIS 78 million in respect of third quarter profit. This is in addition to a dividend of more than NIS 216 million already distributed by the Bank, in respect of Bank profit in the first two quarters of this year. In total, dividends with respect to Bank profit in 2017 year-to-date would amount to NIS 295 million," said **Bank President & CEO, Eldad Fresher**.

**Mizrahi-Tefahot Ltd.**  
**Highlights of condensed financial statements**  
**As of September 30, 2017 – NIS in millions**

**Major balance sheet items**

	September 30,		Rate of change
	2017	2016	In %
Loans to the public, net	178,621	168,620	5.9
Deposits from the public	184,221	173,748	6.0
Shareholder equity attributable to equity holders of the Bank	13,399	12,726	5.3
Balance sheet total	239,578	225,520	6.2

**Profit and profitability**

	Third Quarter		Rate of change
	2017	2016	In %
Total financing revenues before expenses with respect to credit losses	<sup>(1)</sup> 1,072	1,096	(2.2)
Commissions and other revenues	374	380	(1.6)
<b>Total revenues</b>	<sup>(1)</sup> <b>1,446</b>	<b>1,476</b>	<b>(2.0)</b>
Expenses with respect to credit losses	41	59	(30.5)
Operating and other expenses	<sup>(2)</sup> 972	815	19.3
<b>Net profit attributable to shareholders of the Bank</b>	<b>261</b>	<b>373</b>	<b>(30.0)</b>

(1) Including the effect of negative known CPI of -0.5% – an expense of NIS 62 million in the quarter.

(2) Including the effect of the memorandum of understandings with the Employee Association, amounting to NIS 160 million.

**Key financial ratios (in percent)**

	September 30,	
	2017	2016
<b>Key performance benchmarks</b>		
Net profit return on equity:		
For the third quarter	8.0%	12.4%
For nine months	10.1%	11.0%
Deposits from the public to loans to the public, net	103.1	103.0
Ratio of Tier I capital to risk elements	10.16	9.85
Total ratio of capital to risk elements	13.48	13.52
Leverage ratio	5.36	5.31
(Quarterly) liquidity coverage ratio	117	105
Cost-income ratio:		
For the third quarter	67.2 <sup>(1)</sup>	55.2
For nine months	60.7 <sup>(2)</sup>	57.8

**Additional information**

Expenses with respect to credit losses to loans to the public, net for the period	0.09	0.14
Share price (in NIS) as of September 30	63.33	47.65

(1) Expenses in respect of the memorandum of understanding with the Employee Association and in respect of the negative CPI resulted in an increase in the cost-income ratio in the third quarter of 2017, by 13.4% (absolute).

(2) Expenses in respect of the memorandum of understanding with the Employee Association resulted in an increase in the cost-income ratio for the period, by 3.6% (absolute).