

Net profit in the third quarter: NIS 454 million

Compared to NIS 261 million in the corresponding period last year*

73.9% growth

Return on equity in the third quarter: 13.4%

Net profit for the first nine months: NIS 1,004 million**

Compared to NIS 982 million in the corresponding period last year

Financing revenues in the third quarter: NIS 1,341 million

Compared to NIS 1,072 million in the corresponding period last year

25.1% growth

Loans to the public at the end of the quarter: NIS 189.8 billion

An increase of 6.3% compared to the corresponding period last year

Tier I capital ratio: 10.11%

Cost-income ratio in the third quarter: 54.5%

* Results of the third quarter of 2017 include extraordinary salaries expenses amounting to NIS 160 million (NIS 104 million in terms of net profit) with respect to the new collective agreement at the Bank for 2016-2021.

** Results of the first nine months of 2018 include an additional provision amounting to NIS 425 million, recorded in the second quarter, with respect to the US DOJ investigation.

Growth in business volumes and revenues

As in previous quarters, in the third quarter of 2018 too, Mizrahi Tefahot presents significant growth in all major business segments and in total revenues.

Loans to the public increased by NIS 11.2 billion year over year, and compared to the end of 2017 an increase of 6.4% in annual terms; deposits from the public increased by NIS 8.7 billion year over year, an annual increase rate of 6.8%.

Shareholder equity increased by 7.8%, and amounted to NIS 14.4 billion at the end of the third quarter.

Total revenues in the third quarter amounted to NIS 1,719 million, compared to NIS 1,446 million in the year-ago period, an impressive 18.9% growth.

Further increase in business focus

Based on the key target of the strategic plan, in the third quarter of 2018 the Bank continued to increase focus on business banking, and presented impressive growth rates in the volume of loans to businesses and in financing revenues from these operations.

The business loan portfolio increased by 12.0% in the third quarter year-over-year. Especially outstanding were: Loans to small and micro businesses, with 14.4% growth, and loans to large businesses and institutional entities, up by 11.3%.

Concurrently, financing revenues from all business activity increased significantly by 15.2%, with 13.0% growth in small and micro businesses, 17.3% growth in medium businesses and 22.9% growth in large businesses.

Fruitful co-operation with institutional investors

In the third quarter, the Bank continued its co-operation with institutional investors with regard to sale of mortgage portfolios. In September 2018, the Bank signed an agreement whereby the Bank sold to an institutional investor 80% of a housing loan portfolio amounting in total to NIS 670 million.

This transaction follows several similar transactions conducted by the Bank in 2018 with institutional investors. In total, for the first nine months of this year, the Bank sold shares of housing loan portfolios amounting to NIS 2.7 billion.

Eldad Fresher: Third quarter results indicate continued growth in Bank operations and our successful execution of the strategic plan

"Data for the third quarter reflect continued growth in Bank operations, on track with the strategic plan, while presenting growth in most balance sheet items, revenues and profitability. There is no doubt that, net profit of NIS 454 million from current banking operations and without any non-recurring events, and return on equity at 13.4%, given an increase by 7.8% in Bank equity and near-zero interest rates, are all significant achievements.

In this quarter, too, as in previous ones, the Bank shows growth in loans to the public, with increased focus on business loans, in line with our strategic plan. This is an annual growth rate in excess of 6.0%, in both loans to the public and deposits from the public. Growth in the volume of business, along with continued increase in financial margin, are reflected in financing revenues, which grew in the third quarter by 25.1% year over year, with financing revenues from current operations also growing by 14.4%.

Consequently, the Bank presented an impressive cost-income ratio of 54.5% in the third quarter, compared to our target for 2021: a cost-income ratio lower than 55%. As we estimated in the previous quarter, the ratio of Tier I capital to risk components at the end of the quarter reached 10.11%.

Bank Yahav continues to improve its results and to increase its contribution to Group's profit. In the first nine months of 2018, Bank Yahav achieved net profit of NIS 98.8 million, compared to NIS 60.5 million in the year-ago period – an increase of 63.3%. Return on equity at Bank Yahav in the first nine months of the year reached 10.1%, compared to 6.6% in the year-ago period.

In line with our differentiation strategy, hallmarked by our personal-human service concept, Mizrahi Tefahot continues to expand its branch network, which is opposed to the current trend in the banking system. From the beginning of the year, the Bank opened four new branches, of which two are in the Arab sector, with intention to further expand the branch network, as specified in the strategic plan.

Concurrently, the Bank invests considerable effort and resources to provide to customers the most useful, advanced digital channels, to complement the excellent personal service provided by our thousands of bankers", says **Bank President & CEO, Eldad Fresher**.

Mizrahi-Tefahot Ltd.
Highlights of condensed financial statements
As of September 30, 2018 – NIS in millions

Major balance sheet items

	September 30		Rate of change
	2018	2017	in %
Loans to the public, net	189,796	178,621	6.3
Deposits from the public	192,943	184,221	4.7
Shareholder equity attributable to equity holders of the Bank	14,441	13,399	7.8
Balance sheet total	248,831	239,578	3.9

Profit and profitability

	Third Quarter		Rate of change
	2018	2017	in %
Total financing revenues before expenses with respect to credit losses	1,341	1,072	25.1
Commissions and other revenues	378	374	1.1
Total revenues	1,719	1,446	18.9
Expenses with respect to credit losses	61	41	—
Operating and other expenses	936	⁽¹⁾ 972	(3.7)
Net profit attributable to shareholders of the Bank	454	261	73.9

(1) Includes the effect of the new payroll agreement at the Bank for 2016-2021 – an expense amounting to NIS 160 million.

Key financial ratios (in percent)

	September 30	
	2018	2017

Key performance benchmarks

Net profit return on equity:		
For the third quarter	13.4	⁽¹⁾ 8.0
Deposits from the public to loans to the public, net	101.7	103.1
Ratio of Tier I capital to risk components	10.11	10.16
Leverage ratio	5.47	5.36
(Quarterly) liquidity coverage ratio	121	117
Cost income ratio:		
For the third quarter	54.5	⁽¹⁾ 67.2

Key credit quality benchmarks

Ratio of balance of provision for credit losses to total loans to the public	0.81	0.81
Ratio of impaired debts or debts in arrears 90 days or longer to loans to the public	1.17	0.97
Expenses with respect to credit losses to loans to the public, net for the period	0.13	0.09

(1) Expenses with respect to signing the MOU with the Employees' Union and with respect to the negative known CPI in the third quarter of 2017, resulted in a decrease in return by 4.6 percentage points and an increase in the cost-income ratio by 13.4 percentage points.