



MIZRAHI TEFAHOT

Financial Statements

June 2018





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- Accordingly, the information contained in this document is only partial, is not exhaustive and does not include the full details regarding the bank and its operations or regarding the risk factors involved in its activity and certainly does not replace the information included in the periodic, quarterly or immediate reports published by the bank. In order to receive the full picture regarding the bank's 2018 quarterly reports, the aforesaid reports should be perused fully, as published to the public.
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- The forecasting information may change subject to risks and uncertainty, due to being based on the management's estimations regarding future events, which include, *inter alia*: global and local economic development forecasts, particularly regarding the economic situation in the market, including the effect of macro-economic and geo-political conditions; expectations for changes and developments in the currency and equity markets; forecasts related to other various factors affecting exposure to financial risks; forecasts with respect to changes to borrowers' financial strength, public preferences, changes in legislation and the provisions of regulators, competitors' behavior, the status of the bank's perception, technological developments and human resources developments.
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Forward-Looking Information – The Strategic Plan

For details regarding the bank's targets and its business strategy for the years 2017-2021, see the Targets and Business Strategy chapter of the 2017 annual report of the Board of Directors and management.

On August 7th, 2018, the bank received a notice from the US Department of Justice to the bank's counsel, which includes an offer for a settlement to resolve the investigation regarding the Bank Group's business with its US customers. These financial reports include an additional provision of ILS 425 million (USD 116.5 million) due to the investigation of the US Department of Justice. The accumulated provision due to the investigation as of June 30th, 2018, is ILS 563.5 million (USD 162.6 million). For further details, see Note 10b.4 to the financial reports.

In these financial reports, the capital adequacy presented is: Tier 1 capital ratio of 9.95% and total capital ratio of 13.29% (see Note 9 to the financial reports). The bank is acting to increase the capital ratios' safety buffers, and it estimates that the Tier 1 capital ratio is expected to exceed 10% in the third quarter of 2018.

The bank estimates that it has the ability to achieve the path of the five-year strategic plan for 2017-2021, using, per necessity, a variety of tools (which have been utilized continuously in the past) as part of its ongoing business activity.

The bank's dividend policy is that as of 2018, a dividend amounting to 40% of the net profit attributed to the bank's shareholders shall be distributed due to the quarterly profits. The dividend policy is subject to the bank's compliance with the ratio of Tier 1 capital to risk components, as required by the Supervisor of Banks' instructions; and its maintenance of appropriate safety buffers.

In light of the aforesaid, the bank's Board of Directors has not announced the distribution of a dividend due to profits for the second quarter of 2018.

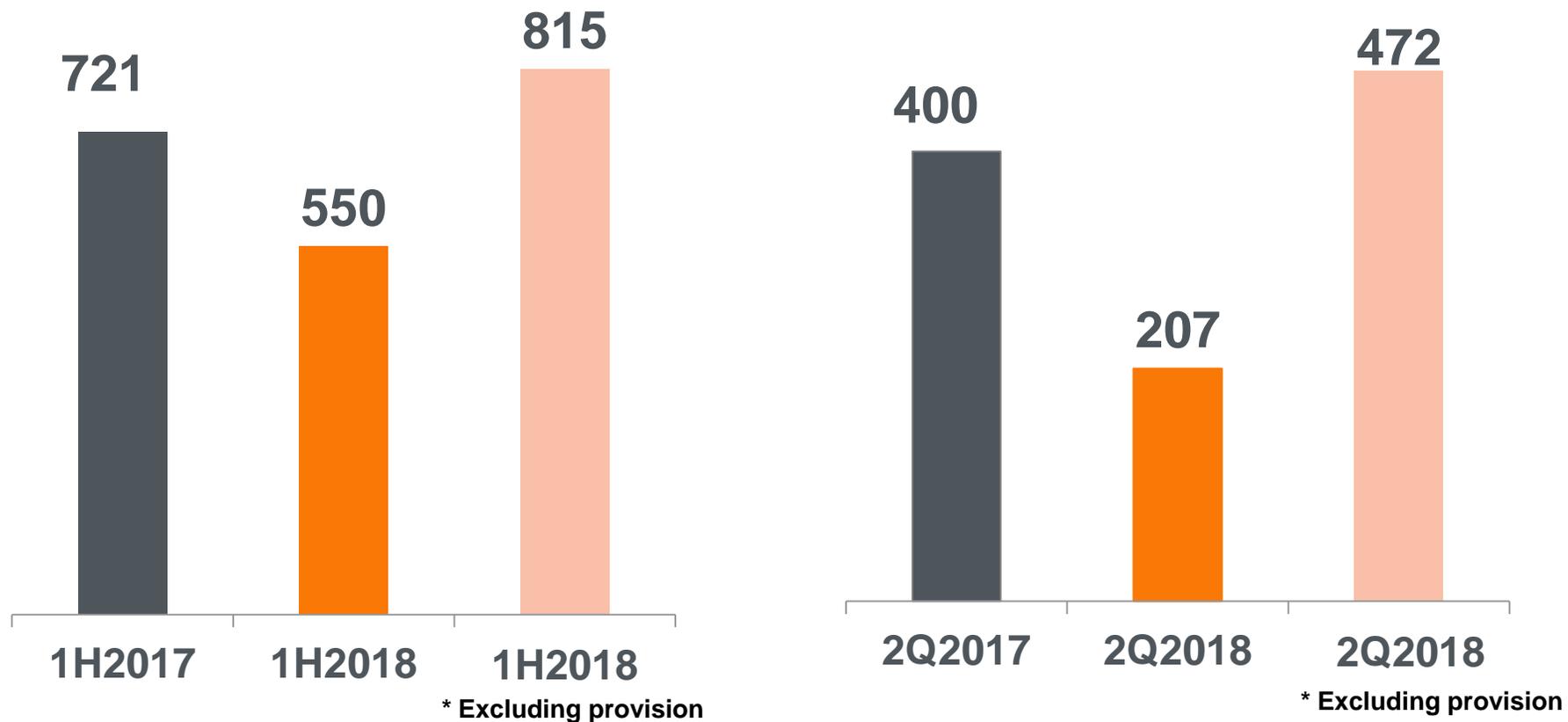
The bank estimates that it can resume acting in accordance with the dividend policy during 2019, subject to the instructions and conditions established in the strategic plan, which include the instructions of the law and restrictions by the Supervision of Banks.

This information is forward-looking information, per its definition in the Securities Law 5728-1968. The information is based on assumptions, facts and data (hereinafter collectively: the "**Assumptions**") which are detailed in the strategic plan and form the grounds thereof, and might not be realized due to factors which are not solely controlled by the bank, causing the strategic plan to not be realized – including in the matter of the dividend distribution policy.

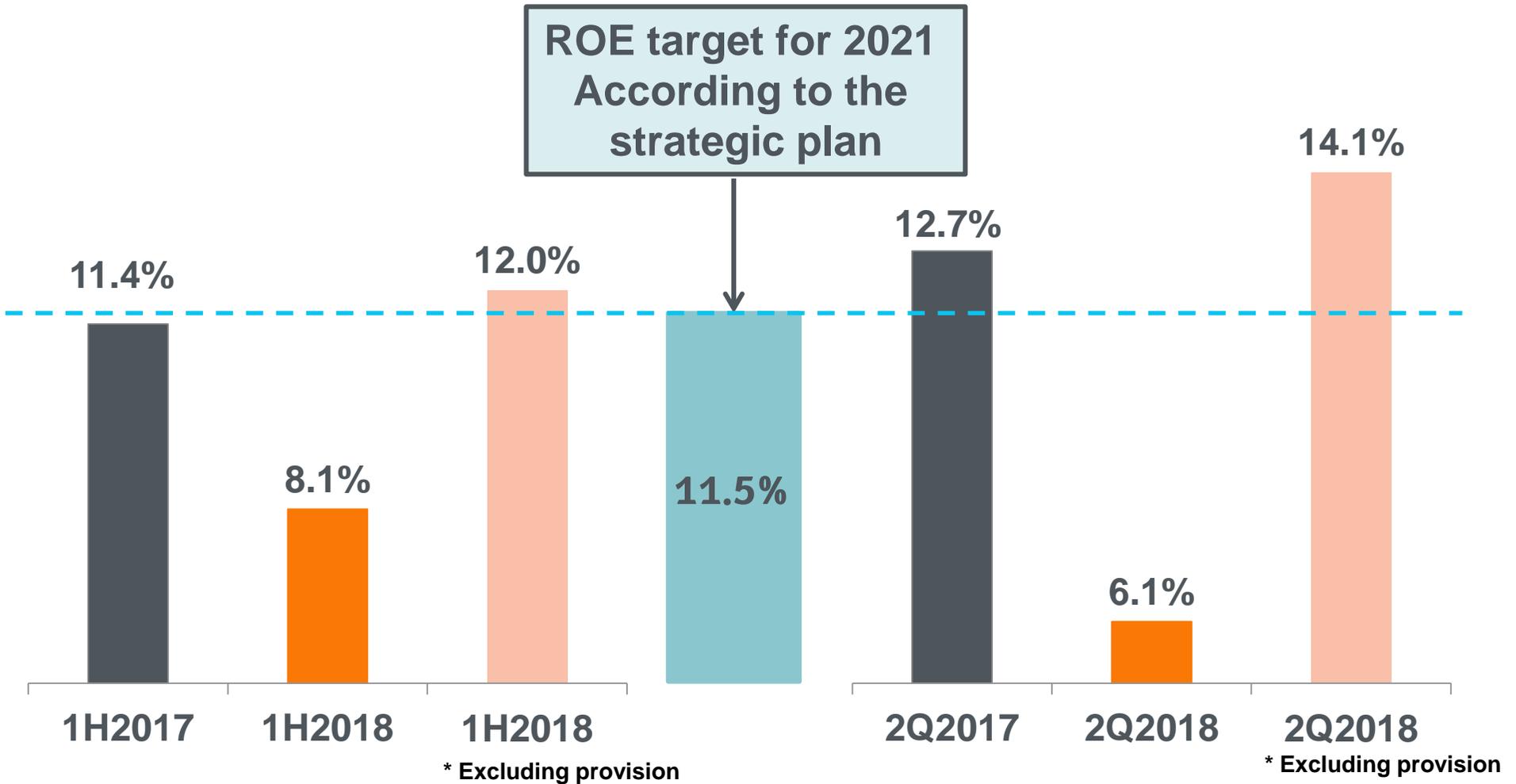
For details regarding negotiations over the renewal of the agreement with shareholders at Union Bank, see the Significant Events in the Course of the Banking Group's Business chapter below.



Net profit (NIS mil)



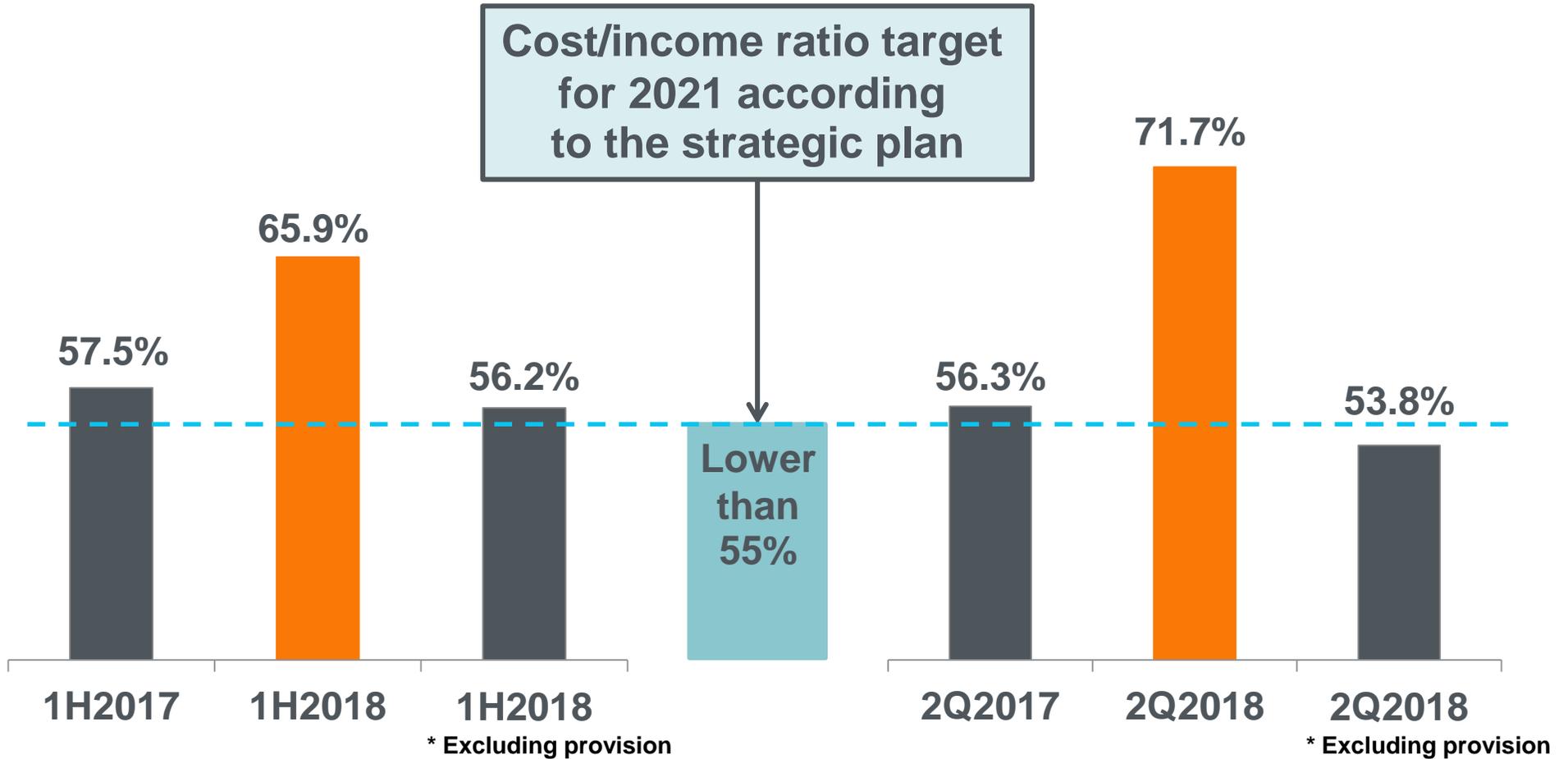
* The net profit from ongoing activity of UMTB excluding the provision for the US investigation was calculated taking into account the provisions for bonuses corresponding to the level of profitability and the derived tax expenses thereof.



* The ROE from ongoing activity of UMTB excluding the provision for the US investigation was calculated taking into account the provisions for bonuses corresponding to the level of profitability and the derived tax expenses thereof.



Cost/income ratio

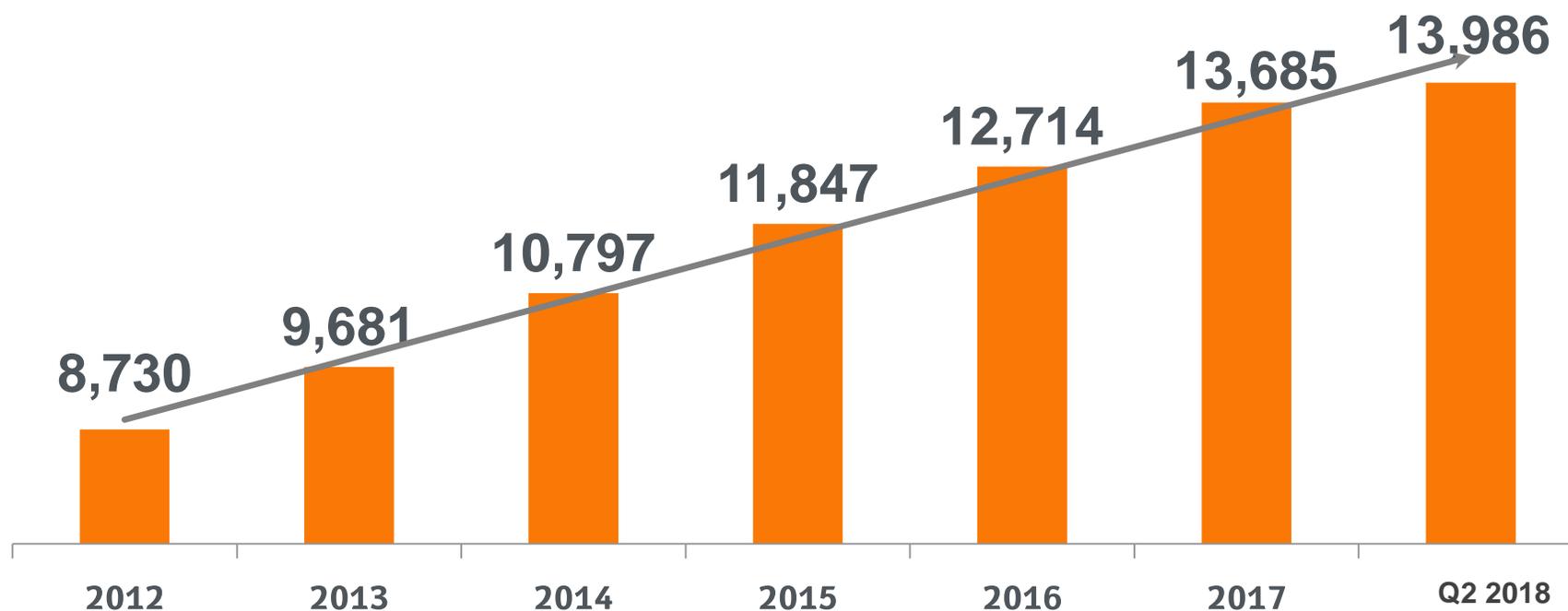


* The efficiency ratio from ongoing activity of UMTB excluding the provision for the US investigation was calculated taking into account the provisions for bonuses corresponding to the level of profitability and the derived tax expenses thereof.



Continue to increase the Equity base (NIS mil)

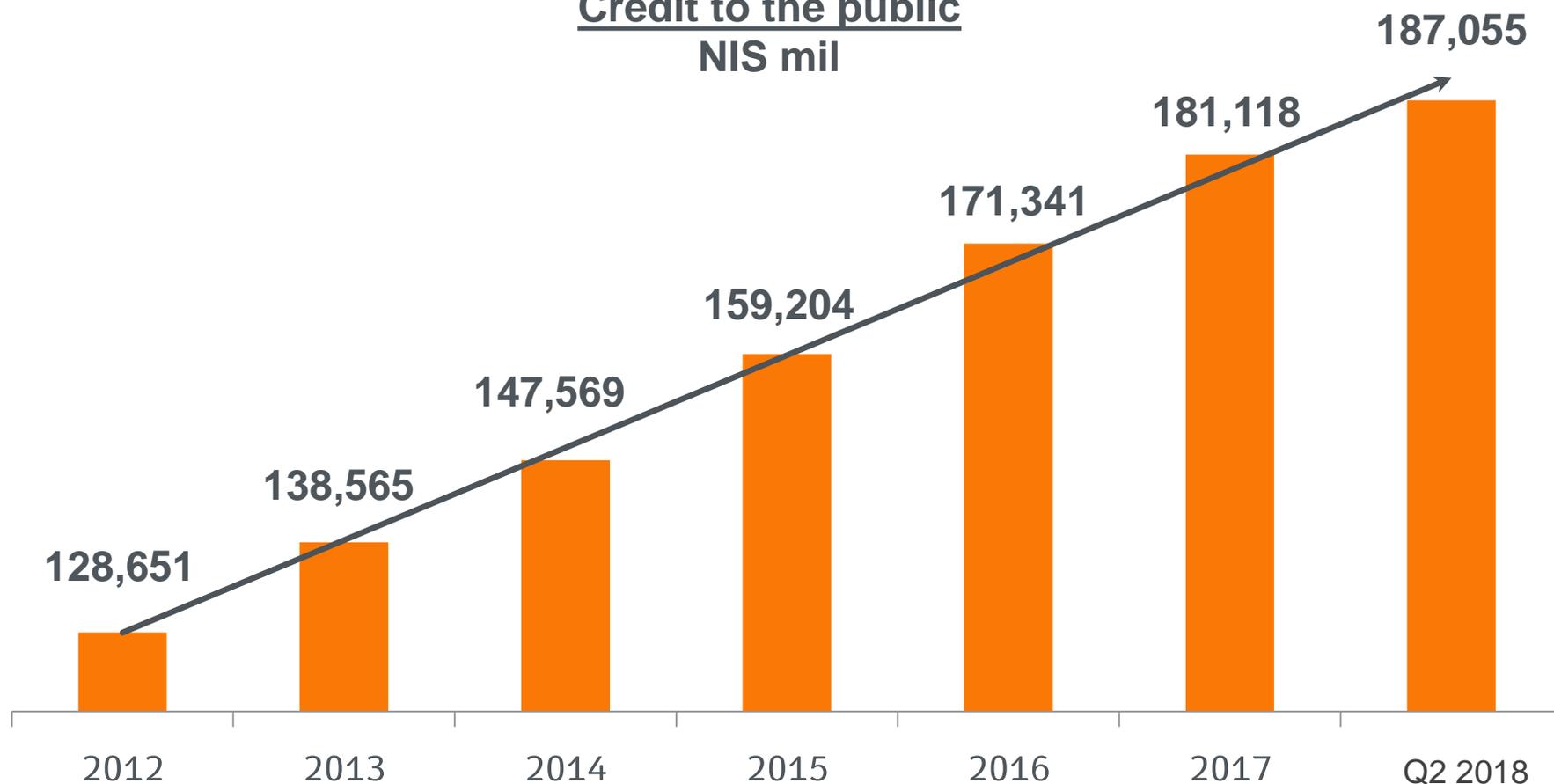
Average annual growth rate 9.3%





Continuous loan growth

Credit to the public
NIS mil



Average annual growth rate 7%



Credit growth in all segments

Loans to the public (NIS mil)			
	30.6.2018	30.6.2017	% of change
Housing loans	122,078	117,585	3.8%
Households and Private banking	20,757	19,155	8.4%
Small and micro businesses	17,775	16,169	9.9%
Medium businesses	5,822	5,615	3.7%
Large businesses and Institutional investors	17,049	15,444	10.4%
Overseas operations	3,574	3,165	12.9%
Total	187,055	177,133	5.6%



Credit growth in all segments

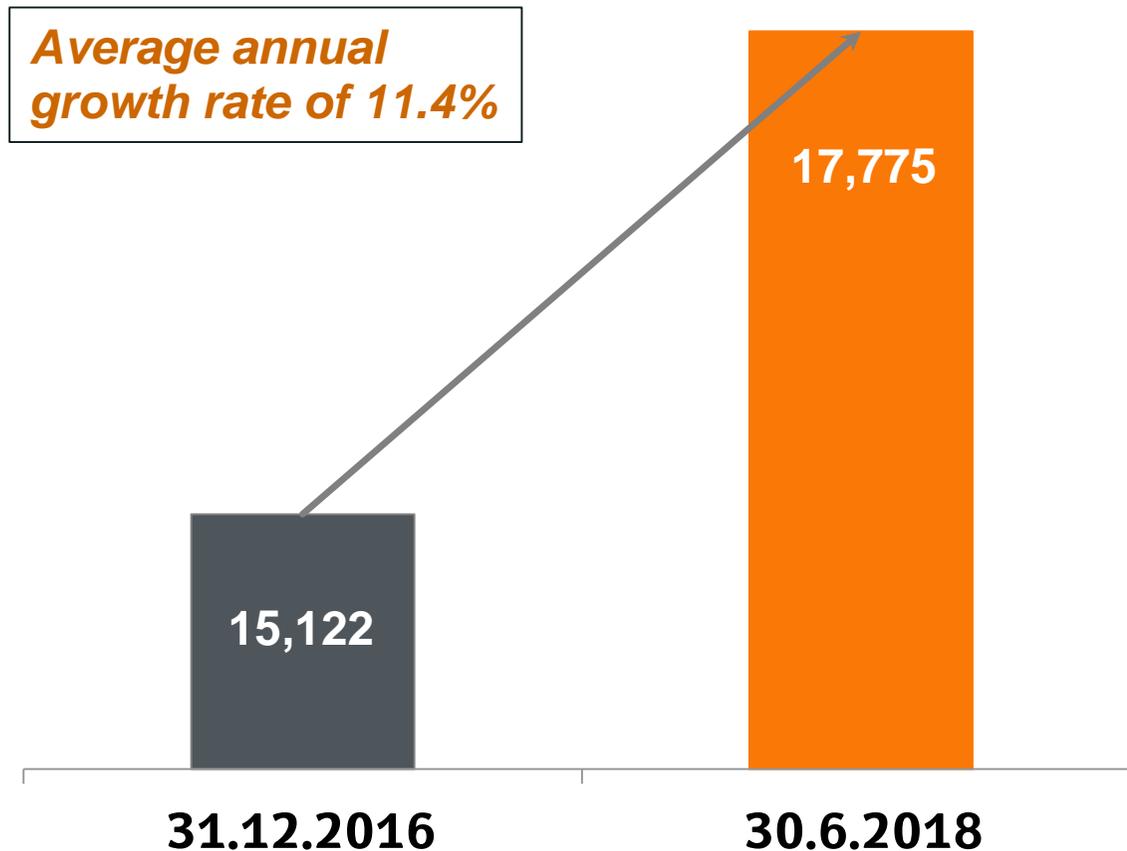
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44,220 (Total Business segments 2018)
40,393 (Total Business segments 2017)

Growth of 9.5% in Business segments

Double digit average annual growth rate in credit to small and micro businesses since the beginning of the new strategic plan

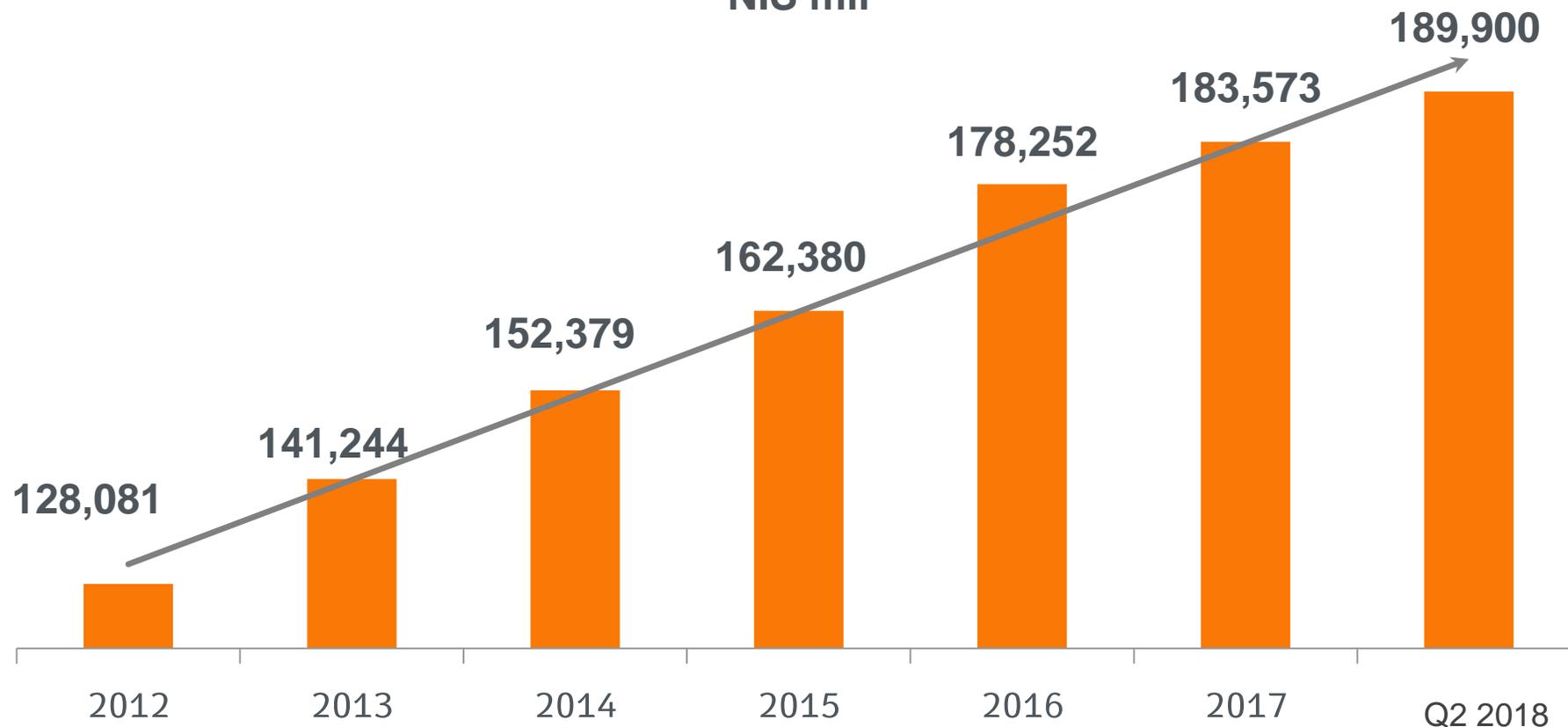
Credit to small and micro business (NIS mil)





Continuous deposit growth

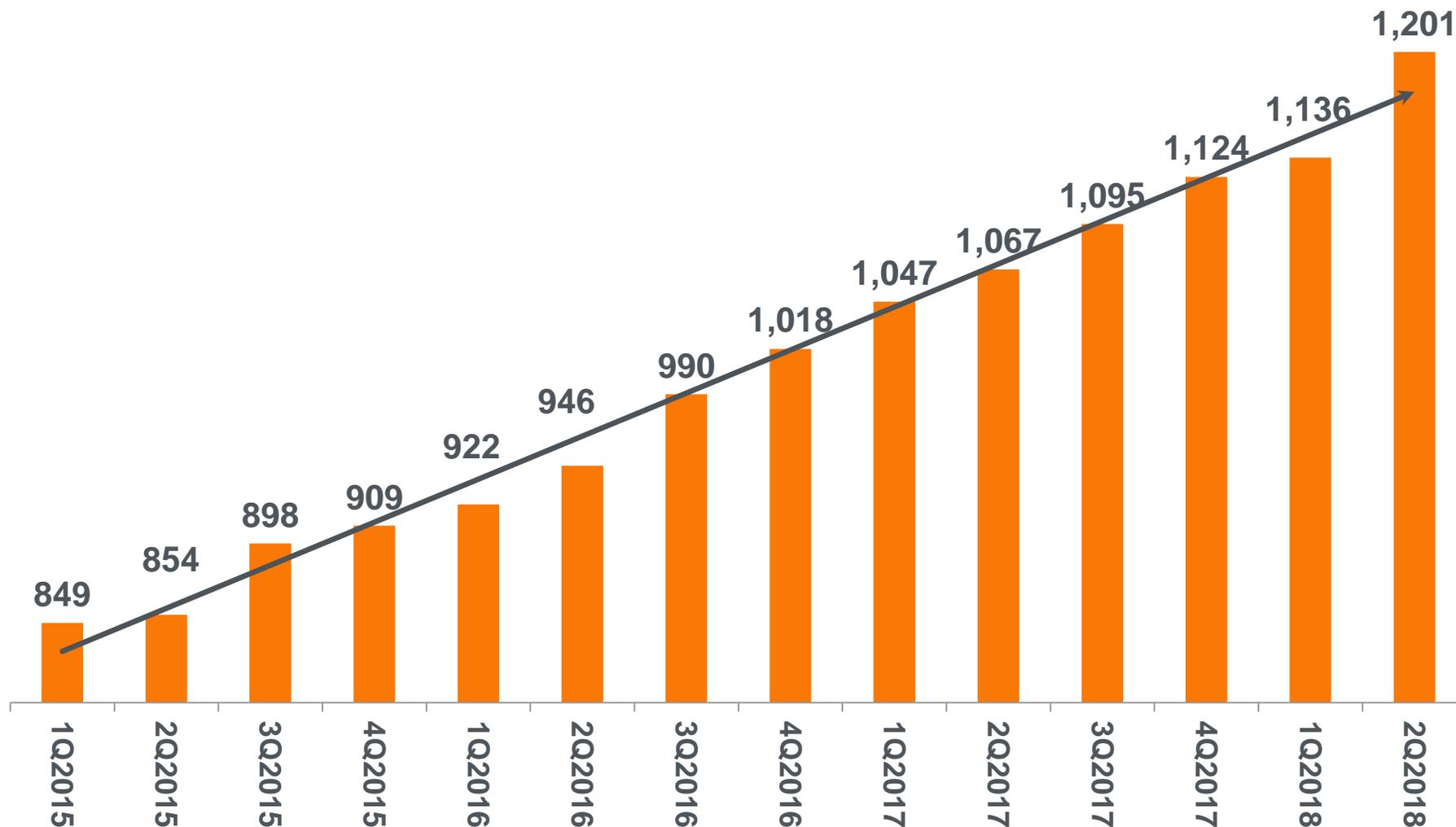
Deposits from the public
NIS mil



Average annual growth rate 7.4%



Financing revenues from current operations continue to grow (NIS m)





Growth in financing revenues in all business segments

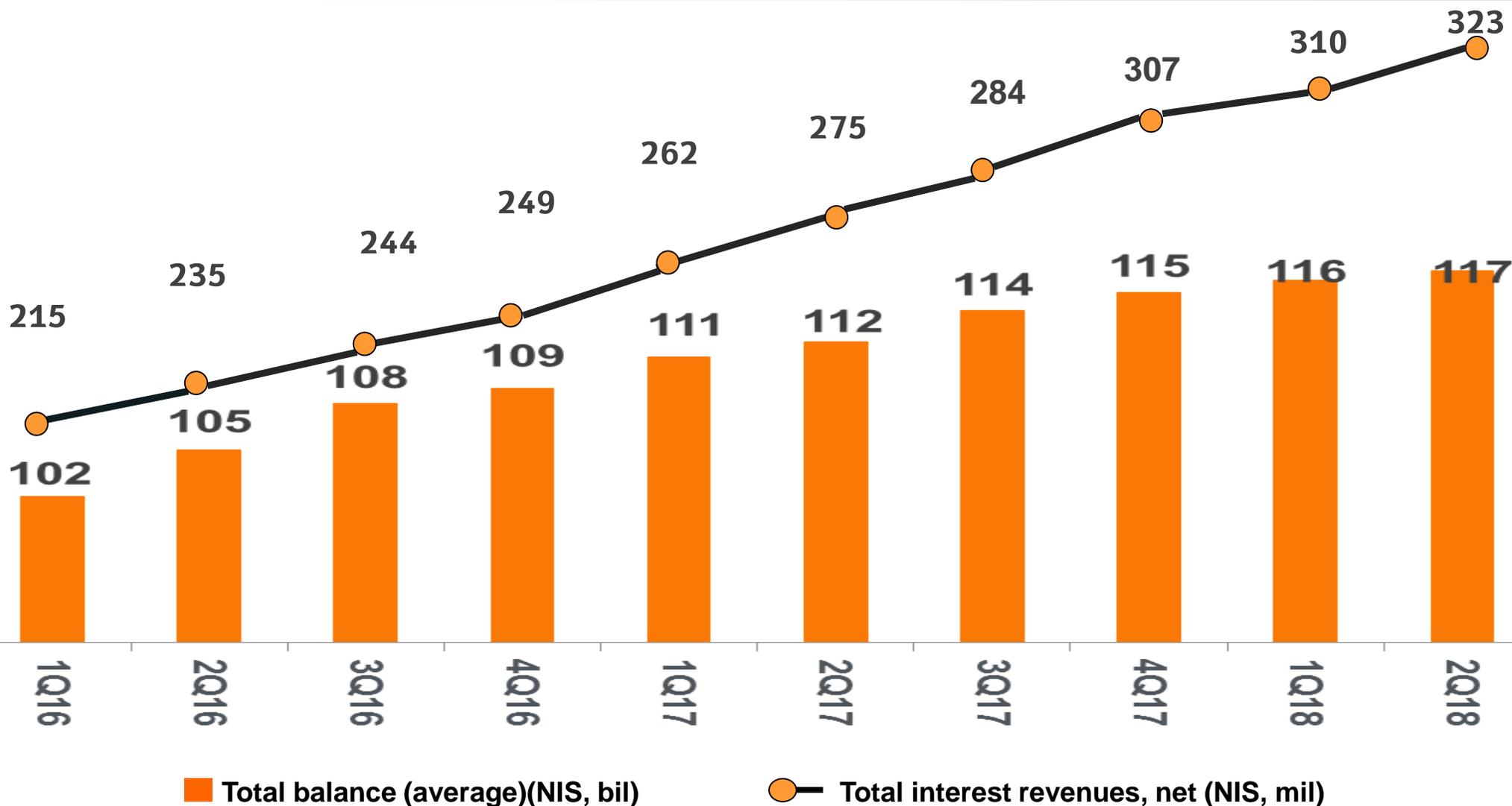
Double digit growth in all business segments

(Financing revenues (NIS m)			
	H1 2018	H1 2017	of change %
Housing loans	729	624	16.8%
Households and private banking	657	582	12.9%
Small and micro businesses	477	423	12.8%
Medium businesses	117	101	15.8%
Large businesses and institutional investors	319	289	10.4%
Overseas operations	102	79	29.1%

Higher growth in financing revenues than credit growth, due to increase in NIMs



Mortgages –balance and revenues*



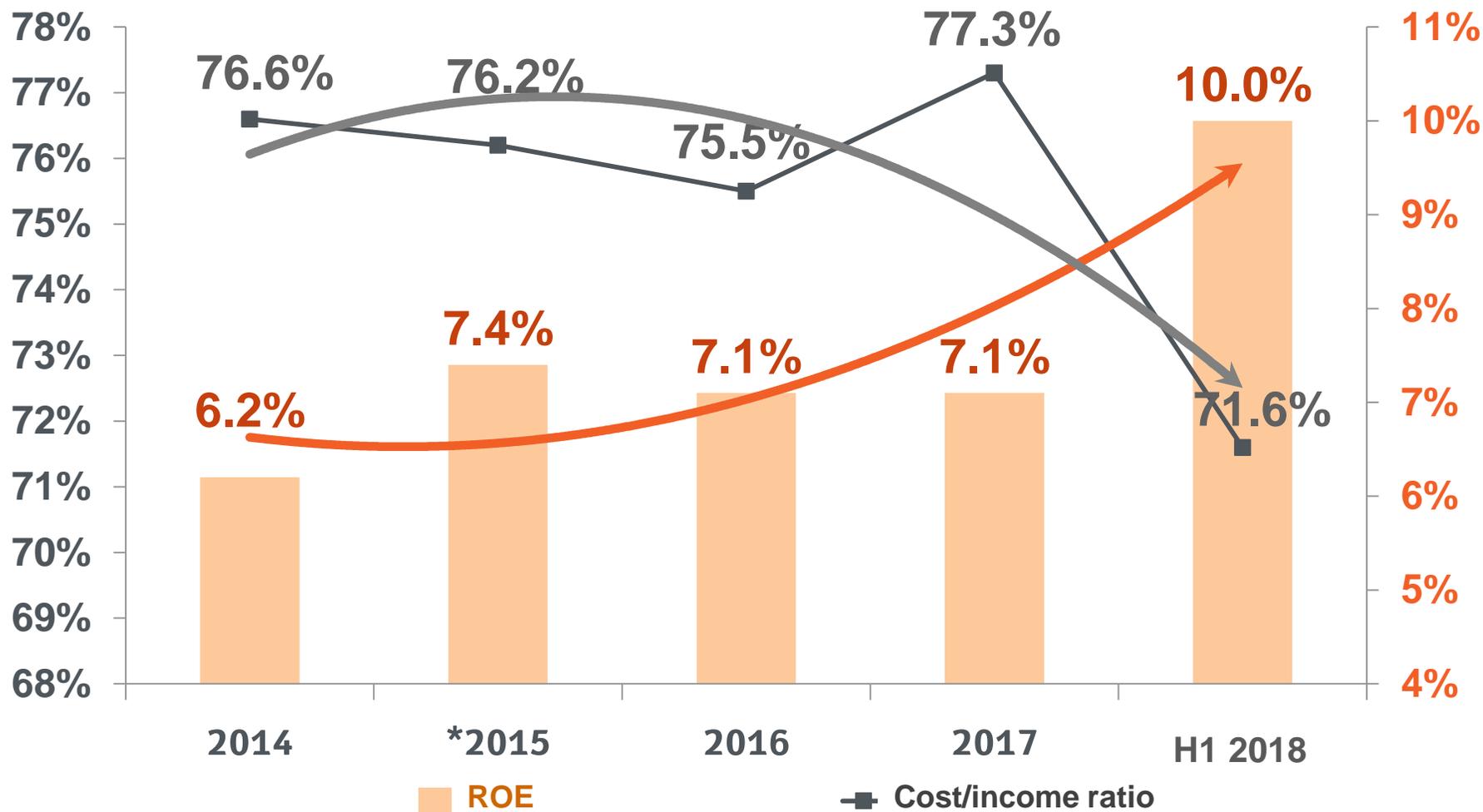
■ Total balance (average)(NIS, bil)

● Total interest revenues, net (NIS, mil)

* Operating segments in conformity with management approach. Note 12 to quarterly reports



After new IT system successful implementation, Yahav bank presents strong business results



* 2015 results exclude extraordinary profit from capital market activity, the non-adjusted ROE is 11.3%, and cost/income ratio of 68.1%



Progress in one of the three main strategic plan pillars - becoming a significant financial assets administrator in the system

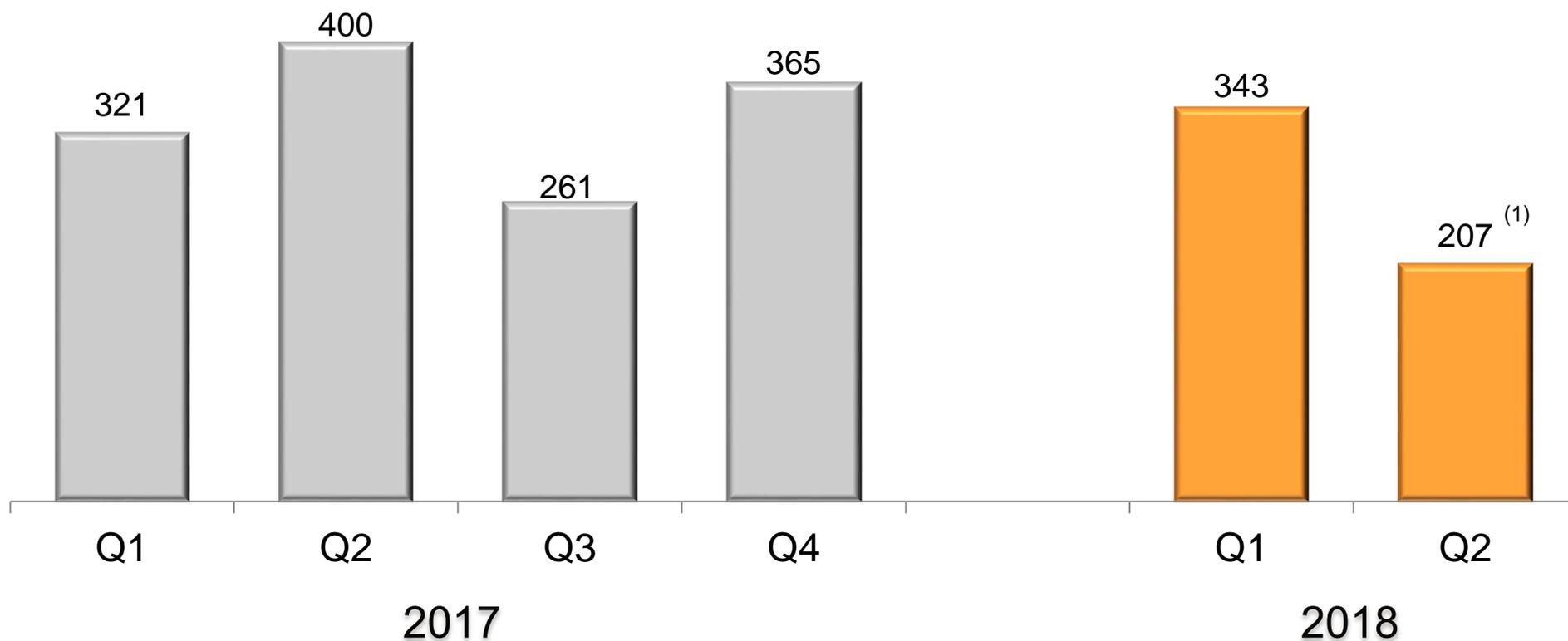
Financial assets administration services			
Segment	30.6.2018	30.6.2017	% of change
Provident funds operation	80,257	76,240	5.3%
Trustee assets	76,025	75,614	0.5%
Mutual funds operation	17,903	16,343	9.5%
Other managed assets	13,918	11,285	23.3%



Financial results



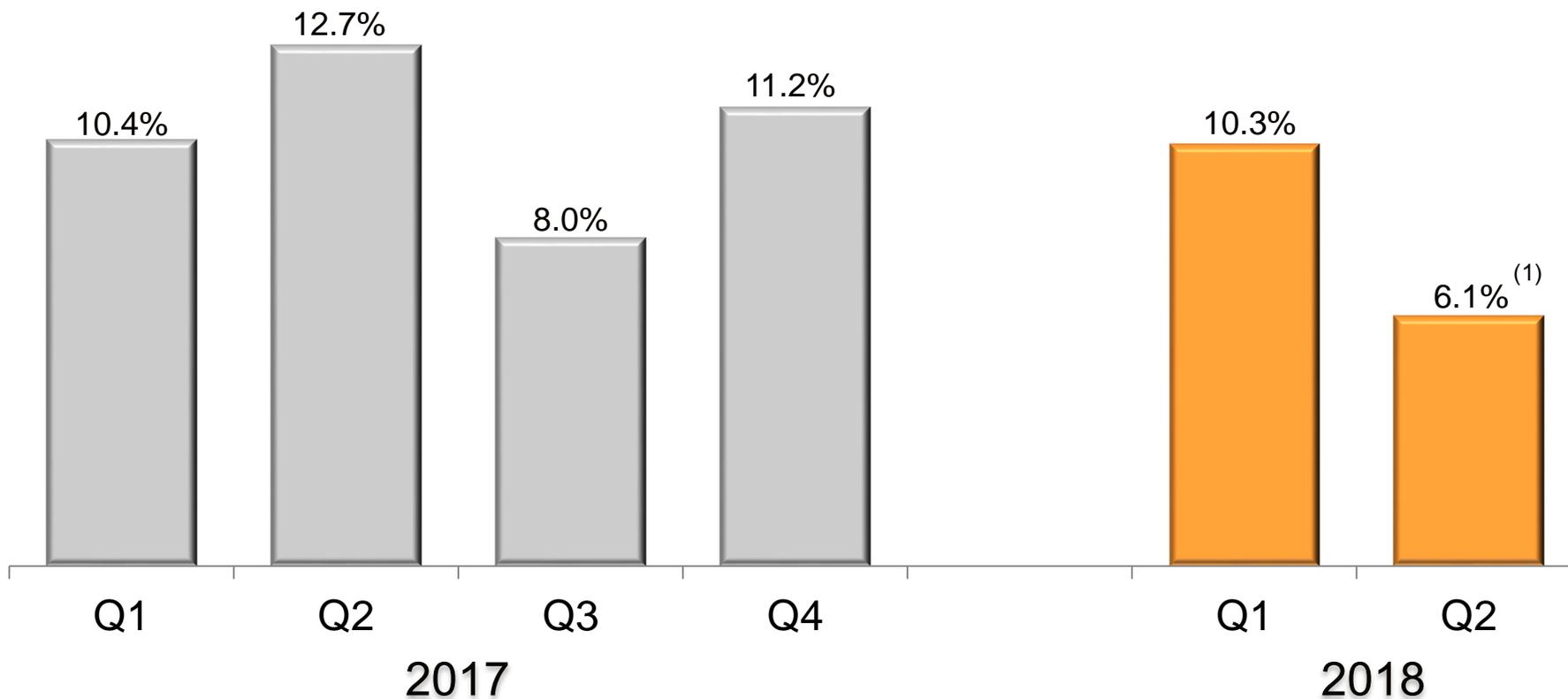
Net profit (NIS mil)



(1) Net Profit excluding the impact of provision with respect to the US DOJ investigation totaled 472 NIS mil.



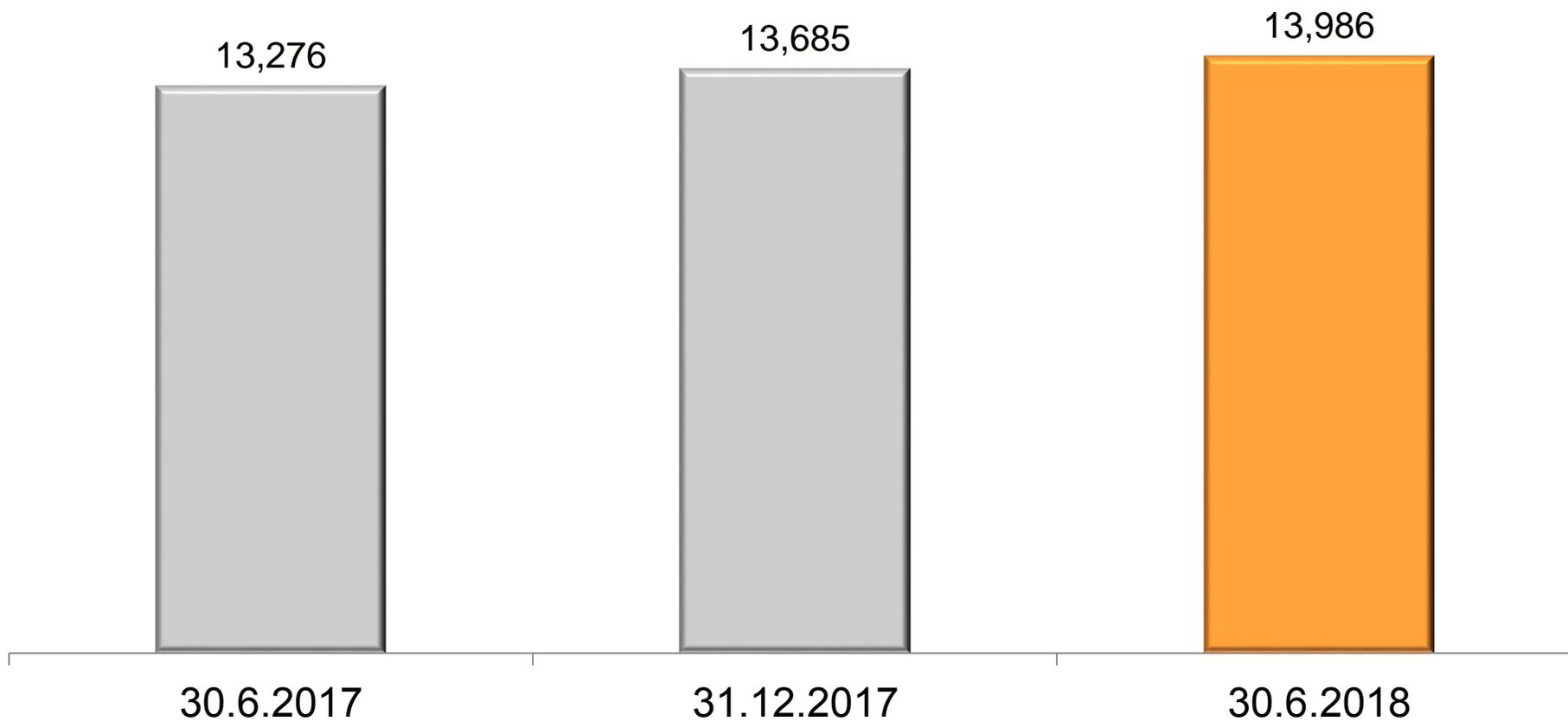
Net profit - ROE



(1) ROE excluding the impact of US DOJ investigation - 14.1%

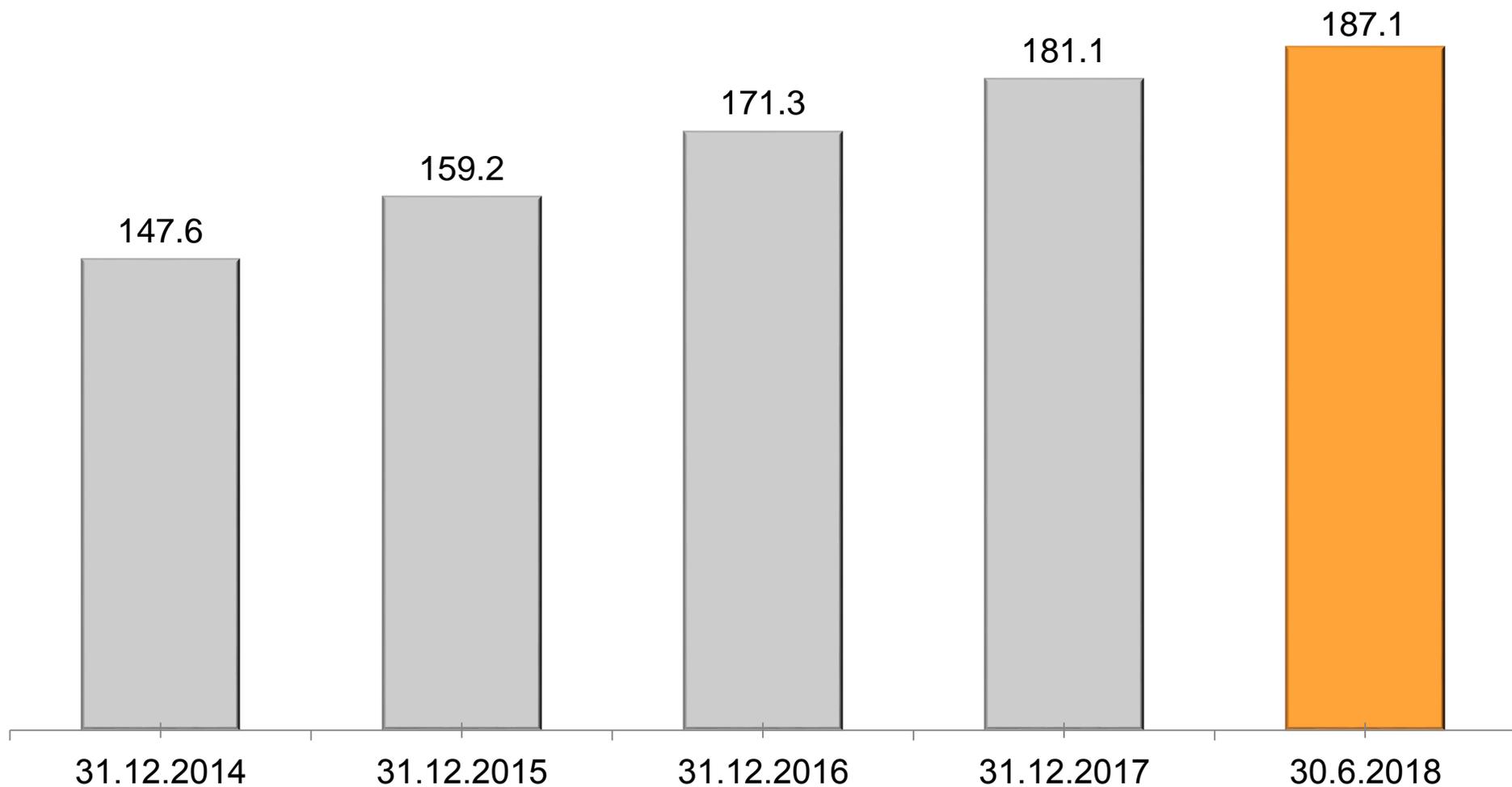


Equity (NIS mil)



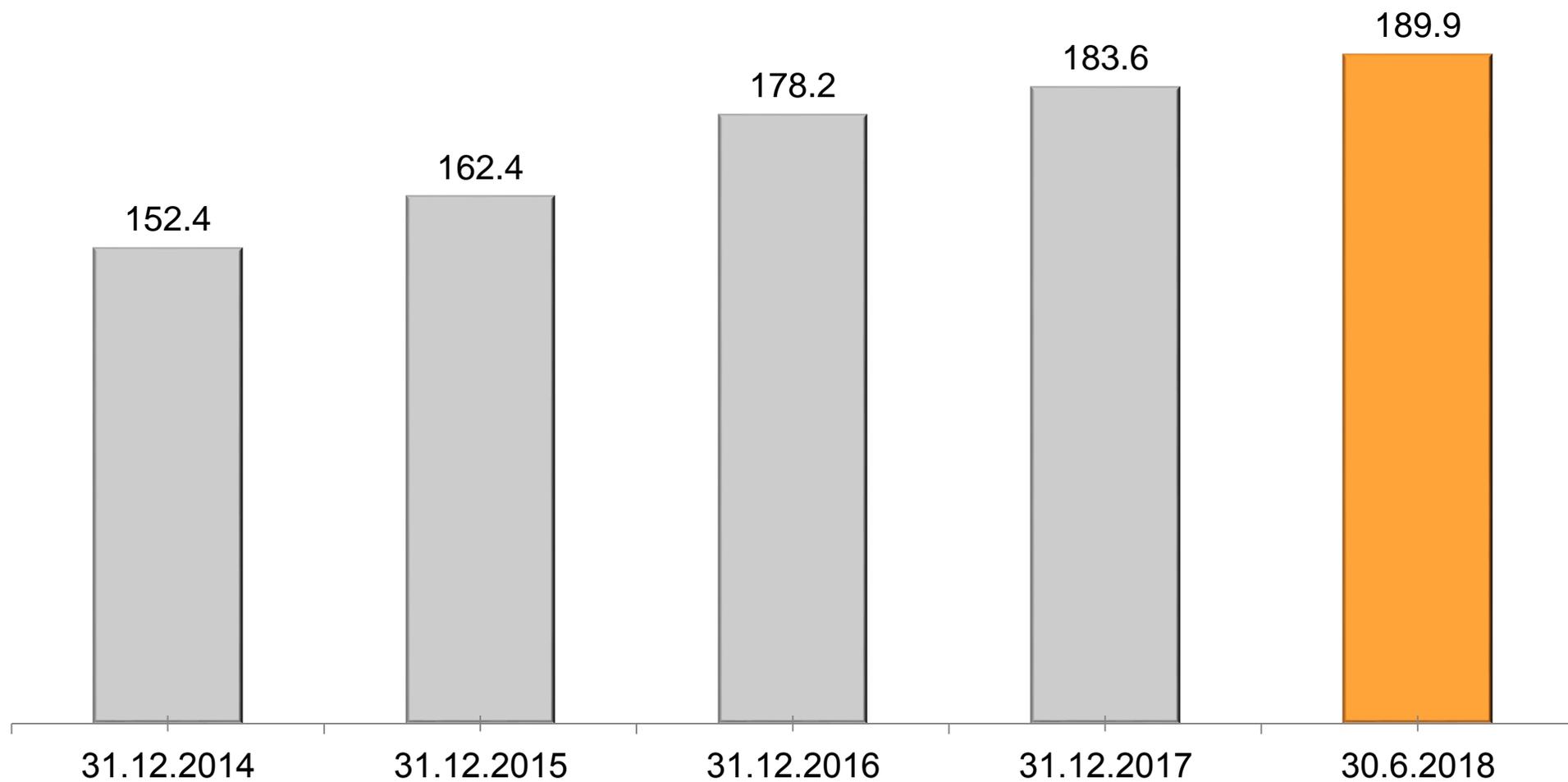


Loans to the public (NIS bil)





Deposits from the public (NIS bil)



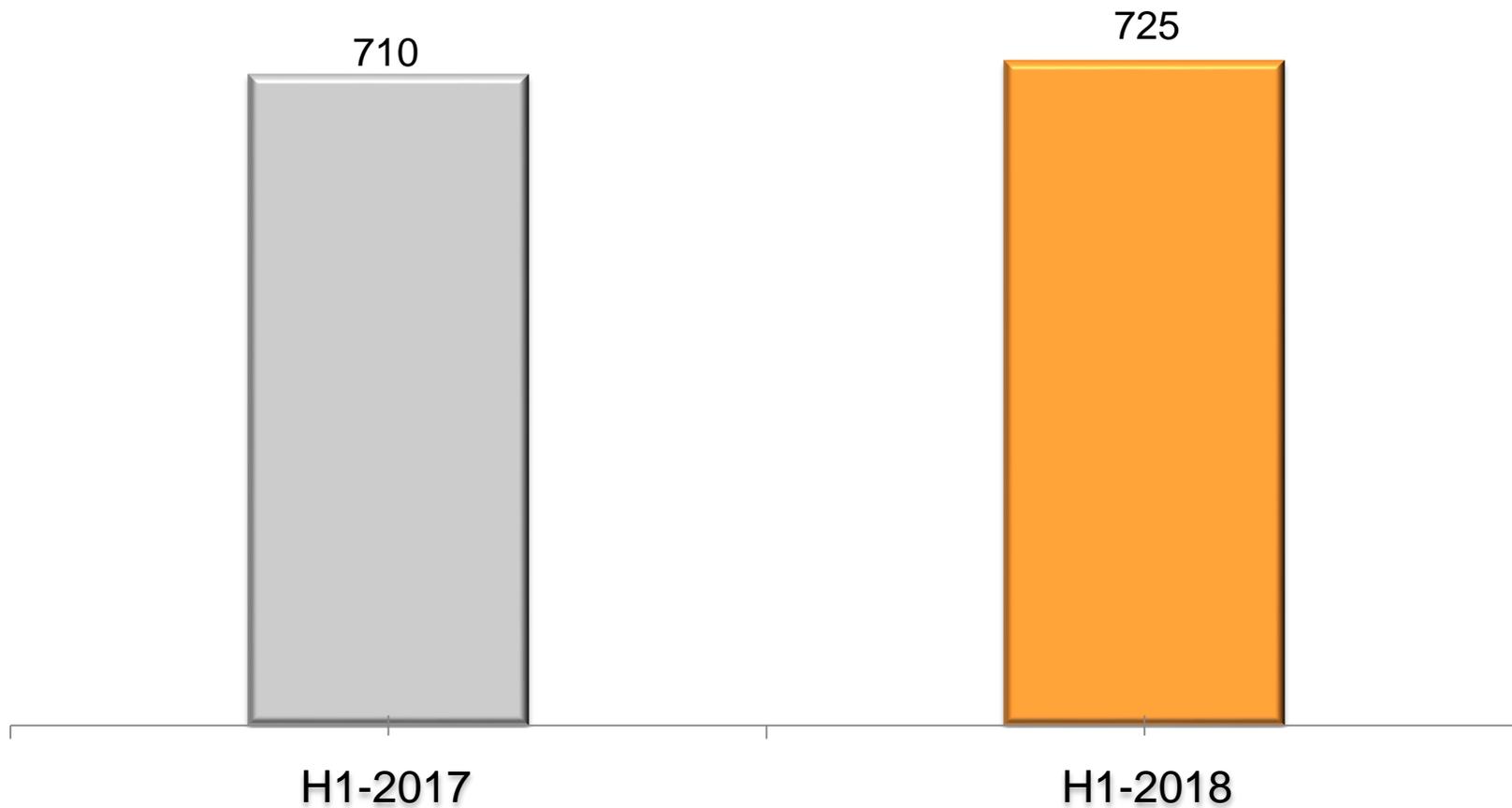


Financing Revenues (NIS mil)

	H1- 2017	H1- 2018	Rate of change
Interest revenues, net	2,200	2,426	
Non-interest financing revenues	20	219	
Total financing revenues	2,220	2,645	18.1
Less:			
Linkage differentials with respect to CPI position	84	133	
Revenues from collection of interest on troubled debt	22	20	
Gain from debentures	25	2	
Effect of accounting treatment of derivatives at fair value and others	(25)	153	
Total effects other than current operations	106	308	
Total financing revenues from current operations	2,114	2,337	10.4

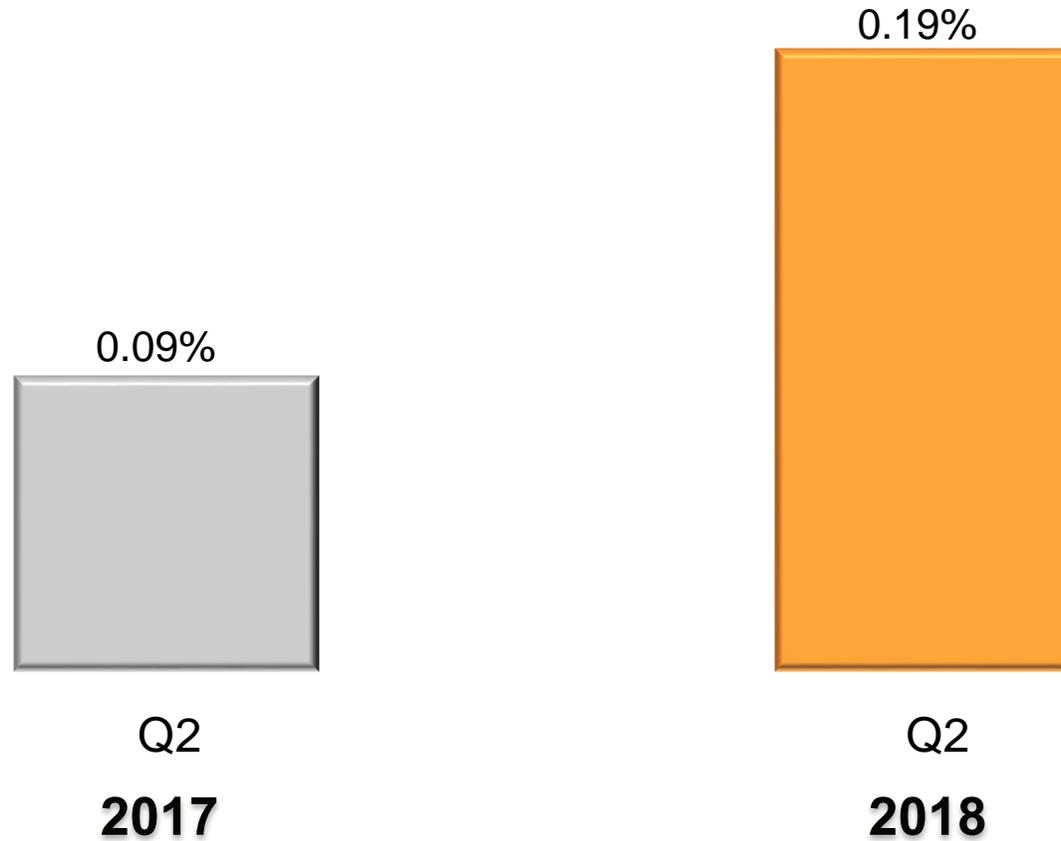


Commissions (NIS mil)



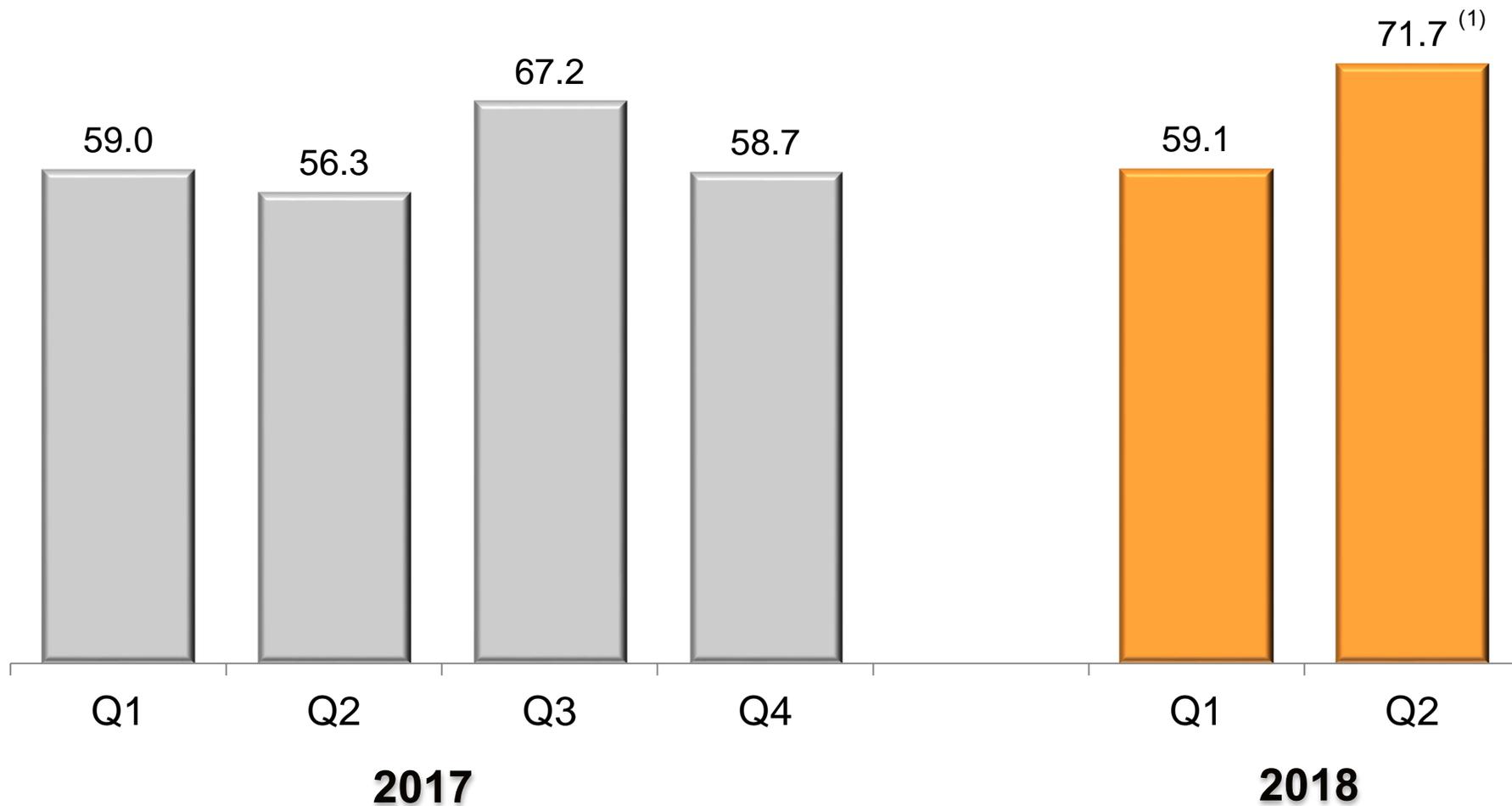


Provisions / loans to the public





Cost / income ratio



(1) Cost/income ratio excluding the impact of US DOJ investigation – 53.8%



Capital adequacy

