

Record profit in the third quarter: NIS 373 million

Compared to NIS 316 million in the corresponding period last year

18.0% growth

Return on equity in the third quarter: 12.4%

Net profit for the first nine months: NIS 1,001 million

Compared to NIS 894 million in the corresponding period in 2015

12.0% increase

Return on equity for the first nine months: 11.0%

Compared to 10.0% for all of 2015.

Cost-Income Ratio in the third quarter: 55.2%

Ratio of Tier I capital to risk elements at end of quarter: 9.85%

Ratio of total capital to risk elements: 13.52%

Regulatory minimum target for start of 2017 achieved sooner

Dividend amounting to NIS 56 million to be distributed with respect to third quarter earnings

Record quarterly profit – highest ever

In the third quarter of 2016, Mizrahi-Tefahot recorded its highest ever quarterly net profit. Bank profit in this quarter, amounting to NIS 373 million – all from current banking operations, exceeded Bank profit in the first quarter of 2007, which amounted to NIS 370 million but included an extraordinary, non-recurring profit of NIS 207 million with respect to sale of the Bank's provident fund operations – as required by the Bachar Reform.

Along with this impressive net profit, the Bank also recorded outstanding return on equity in the third quarter – at 12.4%, with continued expansion of the Bank's capital base. Since September 30, 2015, Mizrahi-Tefahot increased its shareholder equity by NIS 1.1 billion, to reach NIS 12.7 billion at the end of the third quarter of 2016. This compared to NIS 11.6 billion in the corresponding period last year, an increase by 9.5%.

Regulatory capital adequacy target achieved sooner

Along with the further increase in its capital base, the Bank continued to improve its capital adequacy ratios, achieving at the end of the third quarter of this year the minimum capital adequacy targets specified by the Bank of Israel for January 1, 2017.

The Bank's ratio of Tier I capital to risk elements reached 9.85% at the end of the third quarter – the minimum regulatory target for January 1, 2017. The ratio of total capital to risk elements reached 13.52% at the end of this quarter, compared to the regulatory target of 13.35% for start of next year.

Concurrently, the Bank achieved two other key supervisory minimum targets sooner than required: The Bank's average Liquidity Coverage Ratio (LCR) reached 105% in the third quarter, compared to the regulatory minimum target of 100% for January 1, 2017. The Bank's leverage ratio reached 5.31% at the end of the quarter, compared to the minimum target of 5.00% specified by the Bank of Israel.

Additional dividend distribution

Mizrahi-Tefahot continues to share its current earnings with Bank shareholders. As decided by the Board of Directors, the Bank would distribute a dividend amounting to NIS 56 million with respect to third quarter earnings.

This is the fourth consecutive quarter of dividend distributions by the Bank. The Bank distributed dividends amounting to NIS 94 million with respect to earnings of the first two quarters of 2016; in total – with the current dividend distribution – Mizrahi-Tefahot would receive a total of NIS 150 million in dividends with respect to Bank earnings in the first three quarters of 2016.

Eldad Fresher: The great leap we achieved this quarter in profitability, efficiency and other financial ratios is a reflection of the Bank's robustness and strength

"Results of the third quarter of 2016, headlined by: record quarterly profit of NIS 373 million; return on equity of 12.4%; Cost-Income Ratio of 55.2% and achieving, as early as the end of the third quarter, the minimum targets specified by the Bank of Israel for the start of 2017 for three key financial ratios: ratio of capital to risk elements, Liquidity Coverage Ratio and leverage ratio, are a great leap and a true reflection of the Bank's robustness and strength.

Expansion of Bank business was reflected in all operating segments. Thus, *inter alia*, loans to the public as of September 30, 2016 amounted to NIS 168.6 billion, compared to NIS 158.0 billion in the corresponding period last year, an increase by 6.7%; two growth engines were especially prominent: loans to households – up by 9.0% and loans to small businesses – up by 10.6%. Deposits from the public at the end of the third quarter of 2016 amounted to NIS 173.7 billion, compared to NIS 158.1 billion in the corresponding period last year, an impressive increase by 9.9%.

This business expansion was concurrent with strict control over expenses. Operating and other expenses in the third quarter amounted to NIS 815 million, compared to NIS 821 million in the corresponding period last year, a decrease by 0.7%. In the first nine months of 2016, such expenses increased slightly, by 1.0% compared to the year-ago period – lower than the growth trajectory specified in the Bank's strategic plan.

Consequently, in the third quarter the Bank further improved its Cost-Income Ratio to a low of 55.2% – which is better not only compared to other banks in Israel, but also to the average for OECD countries.

The impressive Cost-Income Ratio and early achievement of the regulatory minimum targets for capital, leverage and liquidity – along with further branch openings, client recruitment and consistent increase in business activity, would allow the Bank to implement, in this quarter as well, its dividend distribution policy and to share its earnings with shareholders. The Bank would distribute a dividend amounting to NIS 56 million with respect to third quarter earnings, in addition to dividends amounting to NIS 94 million already distributed by the Bank with respect to earnings in the first two quarters of this year. In total, dividend distribution year-to-date in 2016 would amount to NIS 150 million," said **Bank President & CEO, Eldad Fresher**.

Mizrahi Tefahot Bank Ltd.
Highlights of financial statements
As of September 30, 2016 - NIS in millions

Major balance sheet items

	September 30		Rate of change
	2016	2015	in %
Loans to the public, net	168,620	157,996	6.7
Deposits from the public	173,748	158,107	9.9
Shareholder equity attributable to equity holders of the Bank	12,726	11,616	9.6
Balance sheet total	225,520	204,966	10.0

Profit and profitability

	Third Quarter		Rate of change
	2016	2015	in %
Total financing revenues before expenses with respect to credit losses	1,096	1,084	1.1
Commissions and other revenues	380	358	6.1
Total revenues	1,476	1,442	2.4
Expenses with respect to credit losses	59	61	(3.3)
Operating and other expenses	815	821	(0.7)
Net profit attributable to shareholders of the Bank	373	316	18.0
Net return on equity	12.4%	11.5%	

	First nine months		Rate of change
	2016	2015	in %
Net profit attributable to shareholders of the Bank	1,001	894	12.0
Net return on equity	11.0%	10.8%	

Key financial ratios (in percent)

	September 30	
	2016	2015
Credit to the public to balance sheet total	75	77
Deposits from the public to balance sheet total	77	77
Deposits from the public to loans to the public, net	103	100
Capital to balance sheet total	5.6	5.7
Expenses with respect to credit losses for loans to the public, net (annualized):		
For the third quarter	0.14	0.15
For nine months	0.09	0.11
Cost Income Ratio for the third quarter	55.2	56.9
Ratio of Tier I capital to risk elements	9.85	9.30
Total ratio of capital to risk elements	13.52	12.76
Average Liquidity Coverage Ratio in the third quarter	105	84
Leverage ratio	5.31	5.32