

Financial Statements

31 December 2007

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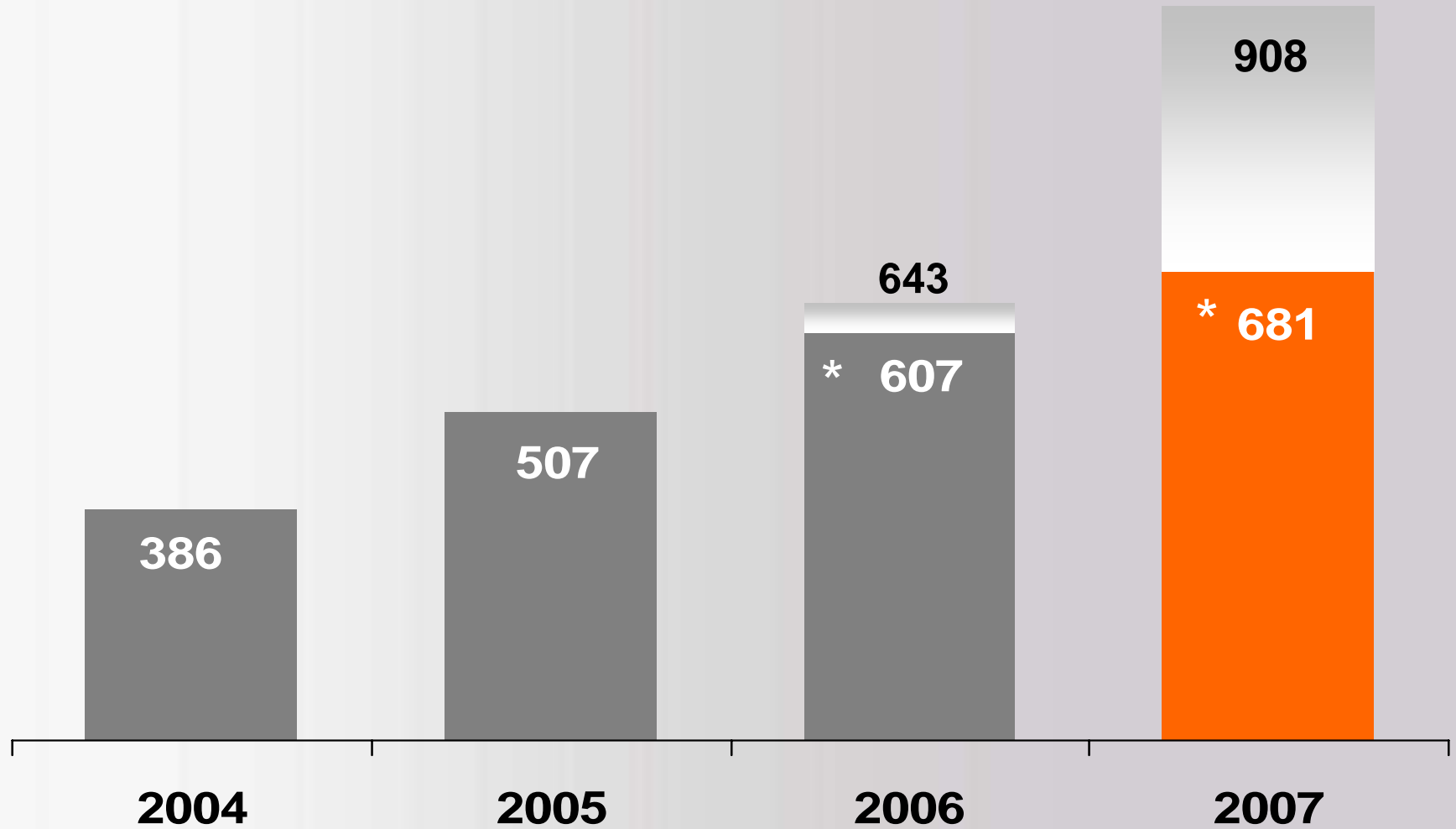
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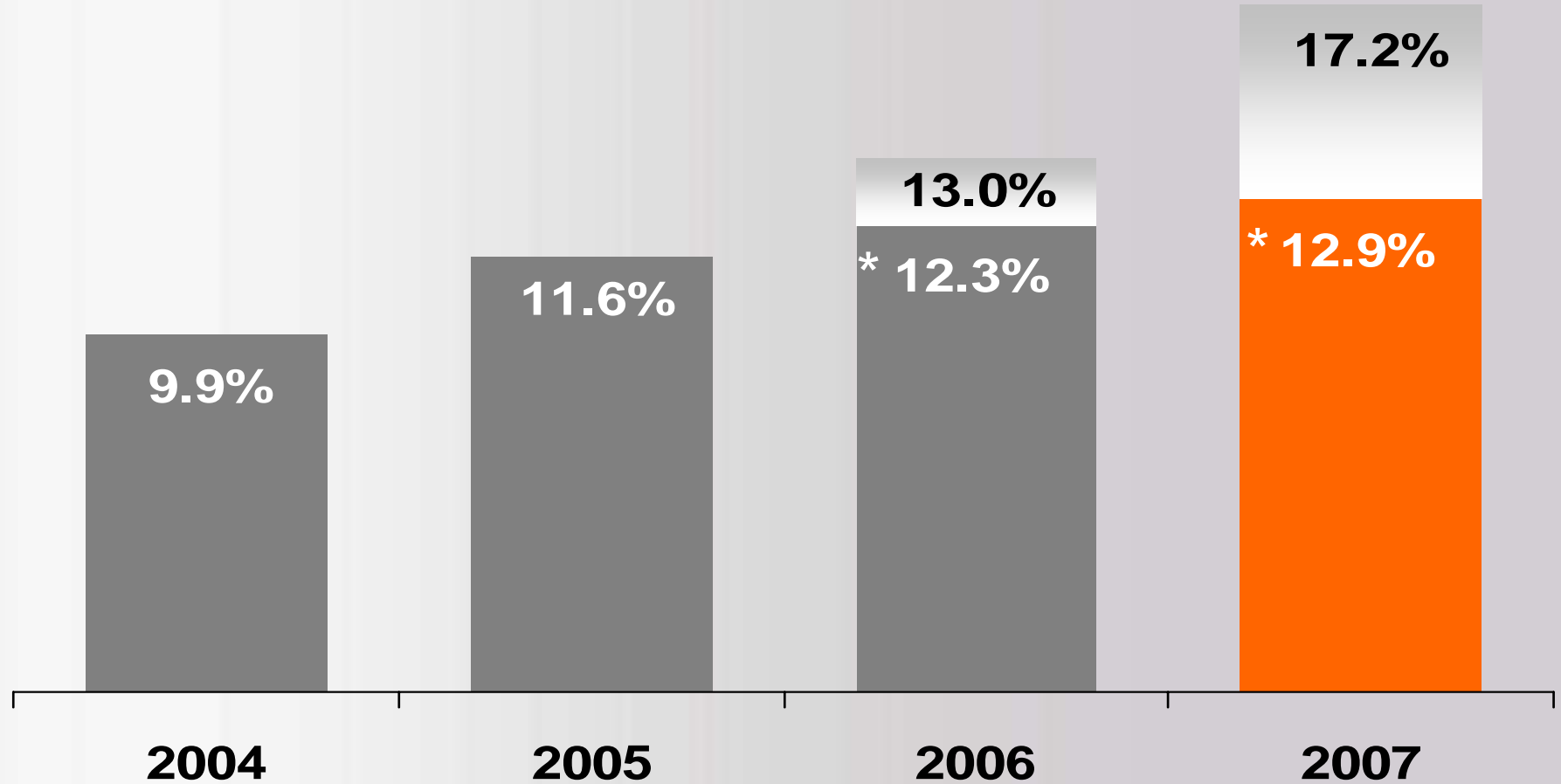
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Net Profit (mil NIS)



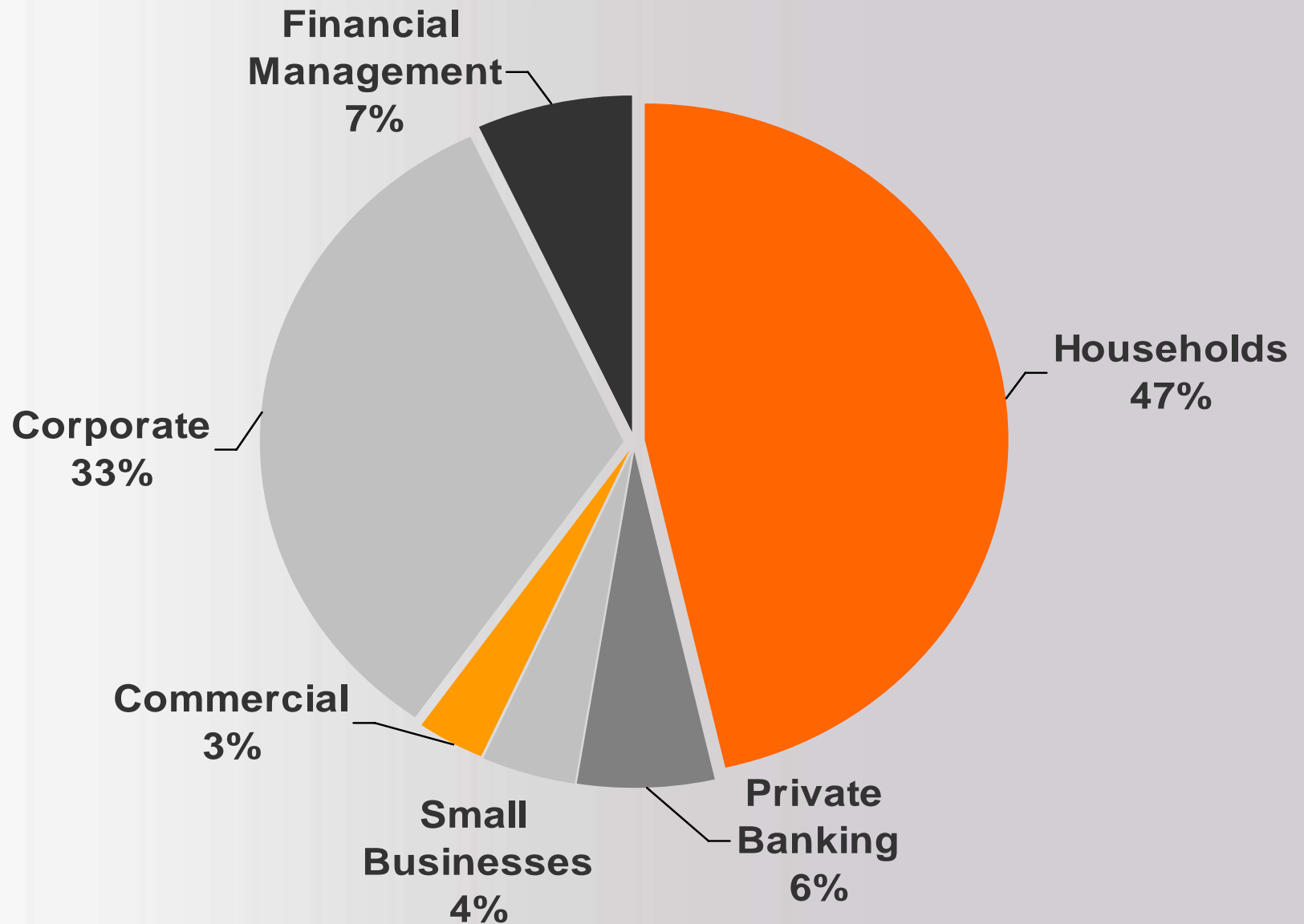
Return on Equity – Net Profit



Extra-ordinary activities (mil NIS)

	2006	2007	%
Net profit Reported	643	908	41.2
Implementation of B.O.I directives regarding housing loans	54	-	-
Provision for retirement plan	233	-	-
Tax effect of above expenses	(109)	-	-
Sales of the mutual funds, provident funds & others	(214)	(227)	-
Net profit excluding extra-ordinary activities	607	681	12.2

Profit by Main Operating Segments



Retail (mil NIS)

	2006	2007	Change %
Housing Loans	36,097	38,931	7.9%
Private Individuals - Other	3,418	3,856	12.8%
Total Loans to Private Individuals	39,515	42,787	8.3%
<hr/>			
Income from credit cards	74	84	13.5%

Profit from Financing Operations (mil NIS)

	2006	2007	Change	
			In mil NIS	%
Profit from financing operations as reported	1,987	2,026		
Provision for impairment of asset-backed securities	-	114		
Profit from ongoing financing operations	1,987	2,140	153	7.7%

Operating and other income (mil NIS)

	2006	2007	Change	
			In mil NIS	%
Operating and other income as reported	1,215	1,190		
Provident and mutual funds management and distribution fees	(146)	(74)		
Ongoing operating and other income	1,069	1,116	47	4.4%

Operating and other expenses (mil NIS)

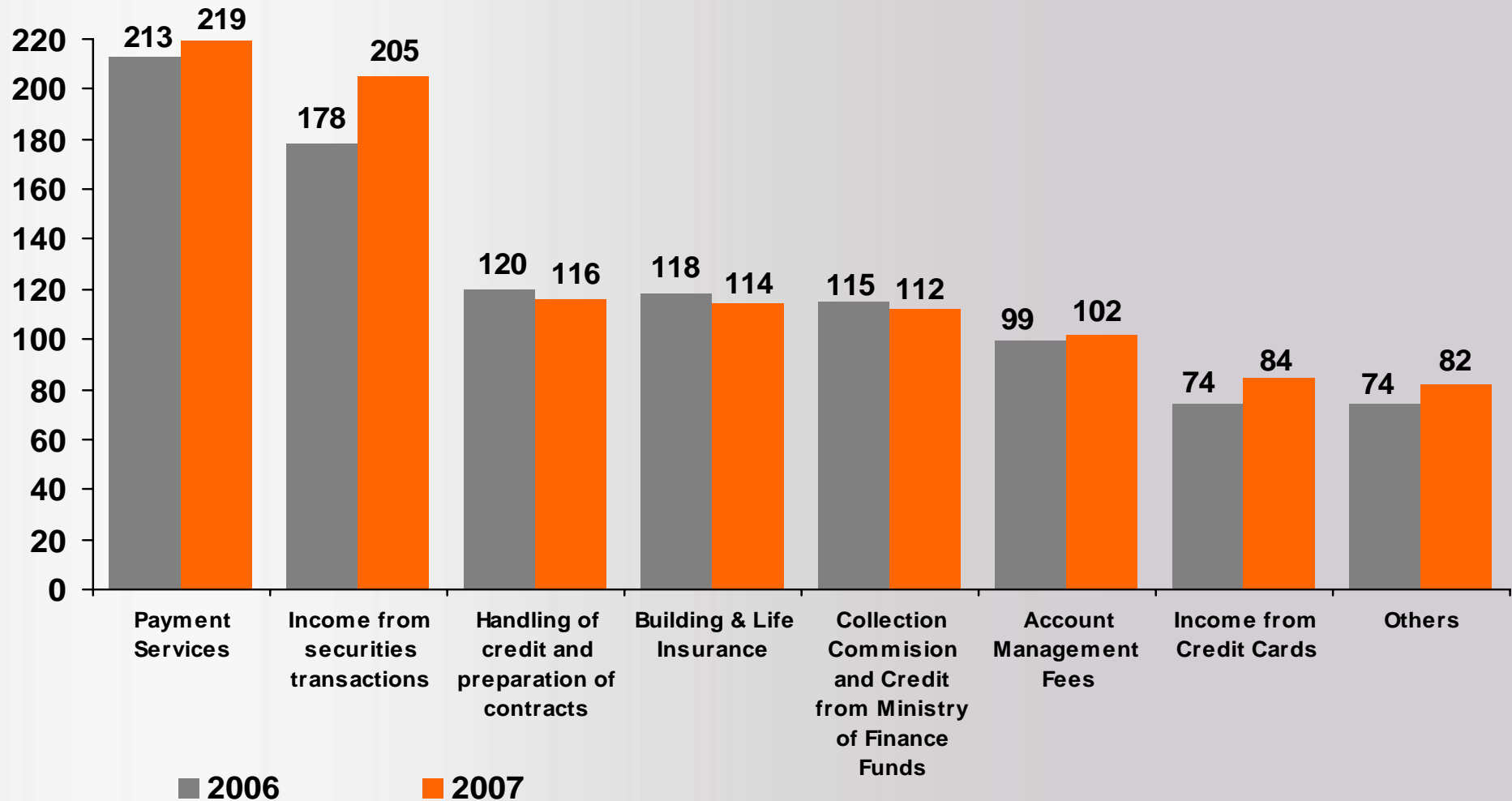
	2006	2007	Change	
			In mil NIS	%
Salaries and related expenses	(1) 1,162	1,169		
Other operating expenses	722	769		
Total ongoing operating and other expenses	1,884	1,938	54	2.9%

(1) Not including provision for pension and severance pay in 2006 of NIS 233 million from the retirement plan.

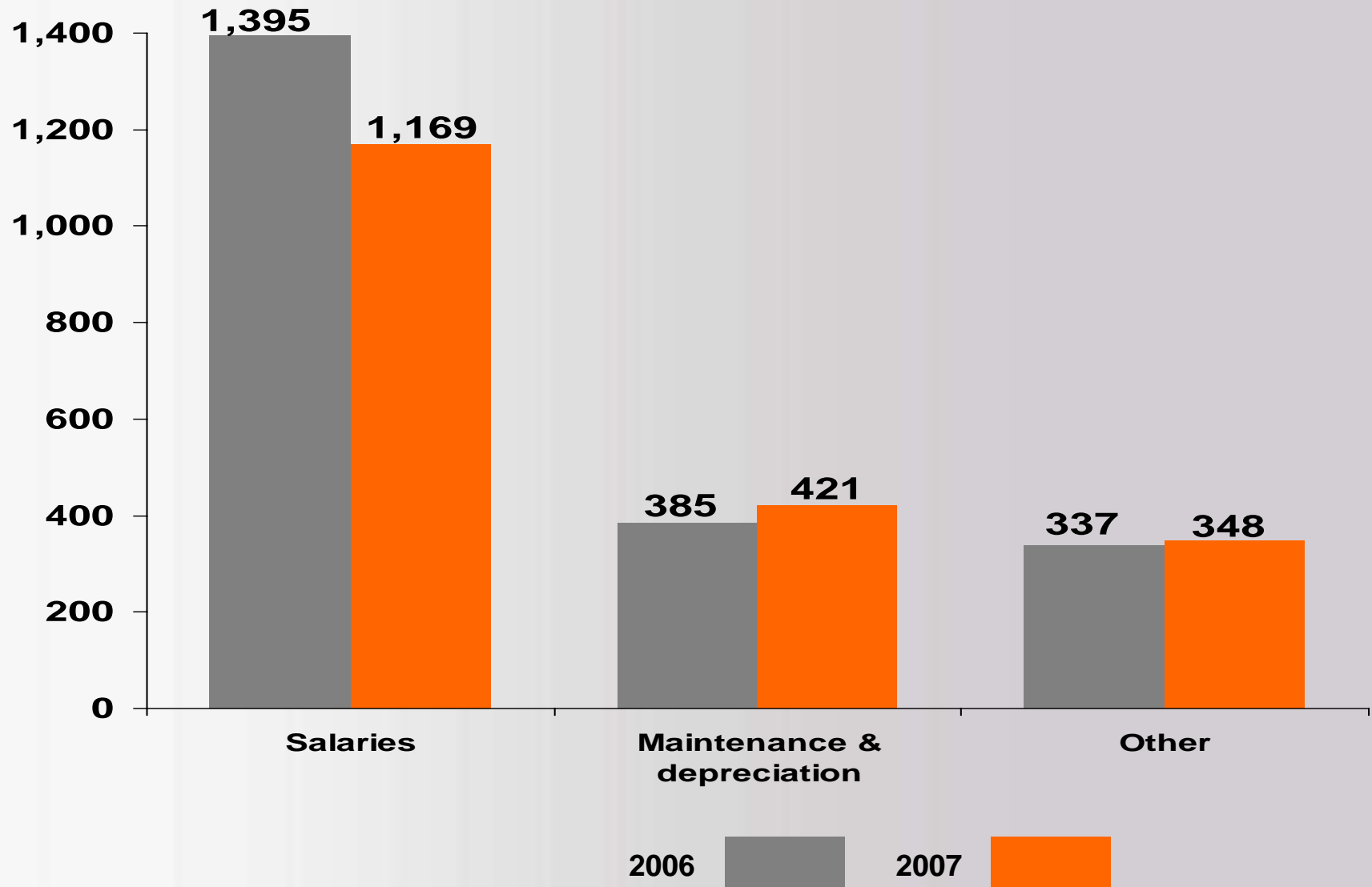
Ongoing operating profit (mil NIS)

	2006	2007	Change	
			In mil NIS	%
Total ongoing income	3,056	3,256	200	6.5%
Total ongoing operating and other expenses	1,884	1,938	54	2.9%
Ongoing operating profit before taxes	1,172	1,318	146	12.5%

Operating Commissions (mil NIS)



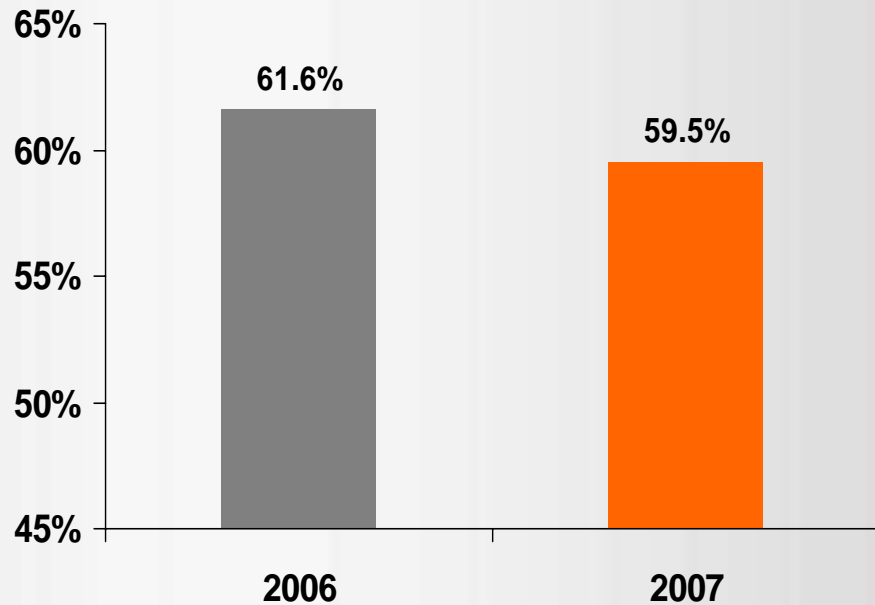
Operating & Other Expenses – Analysis (mil NIS)



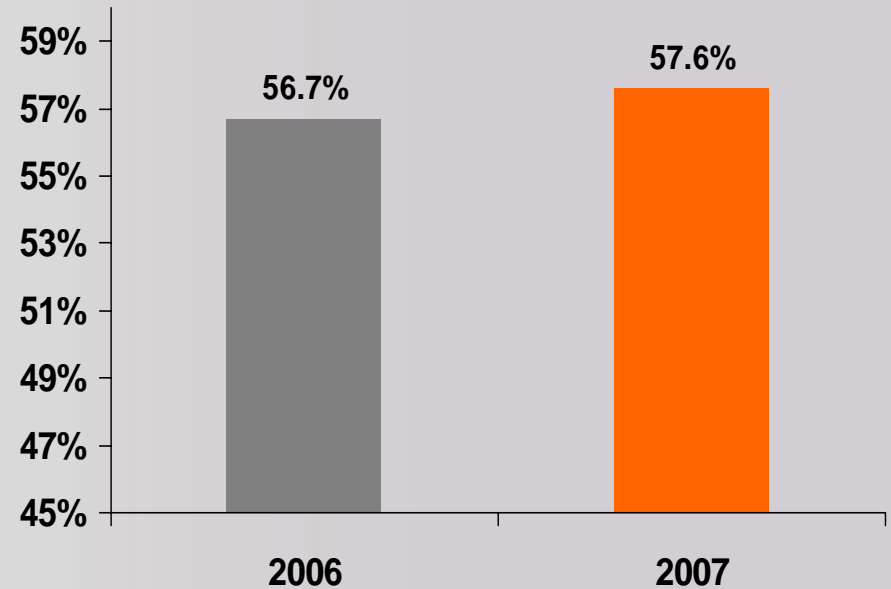
Efficiency Ratios

Excluding extraordinary activities

Cost / Income Ratio



Coverage Ratio

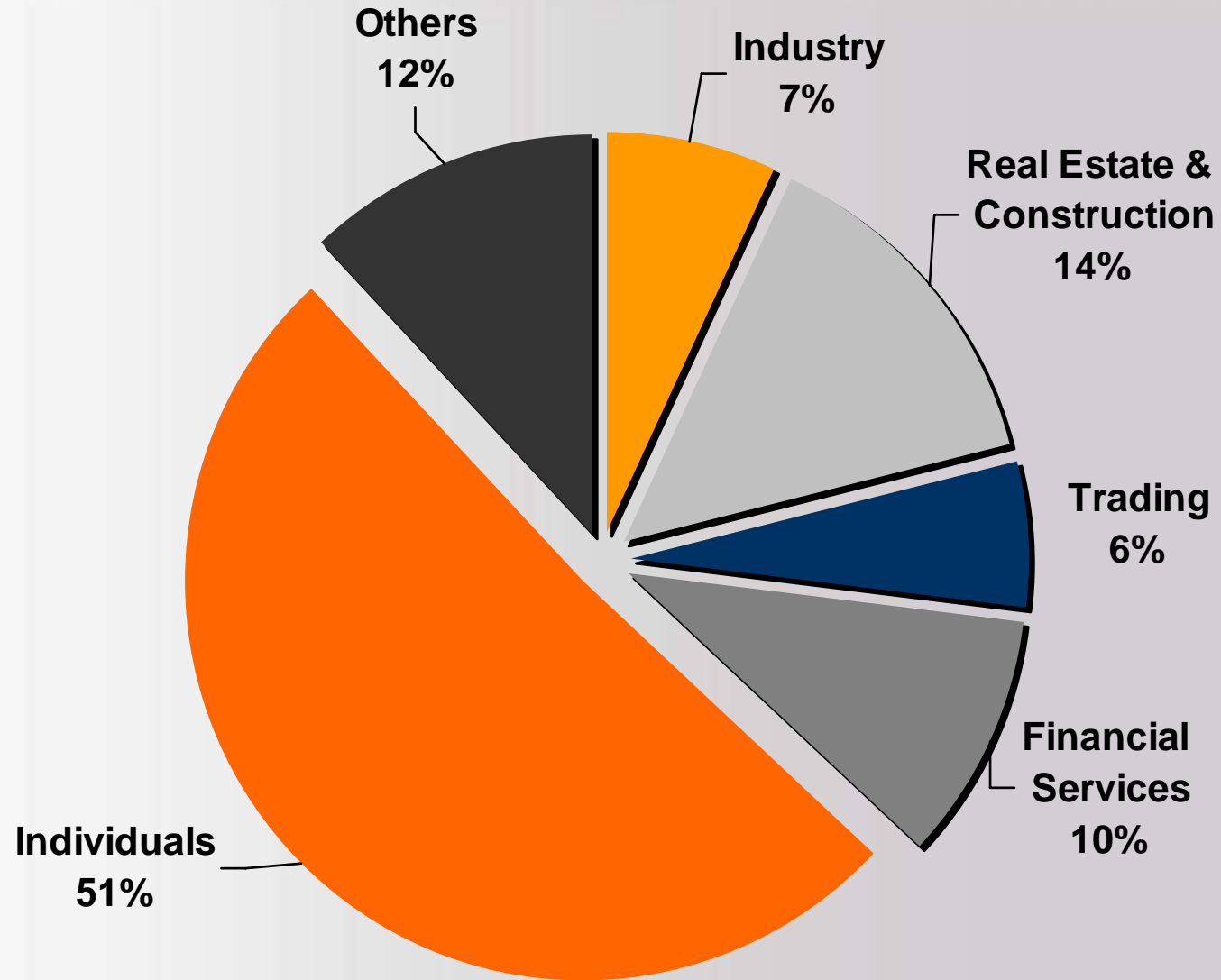


Cost/Income ratio = non-interest expenses divided by total pre-provision income and operating income
Coverage ratio = operating income divided by non-interest expenses

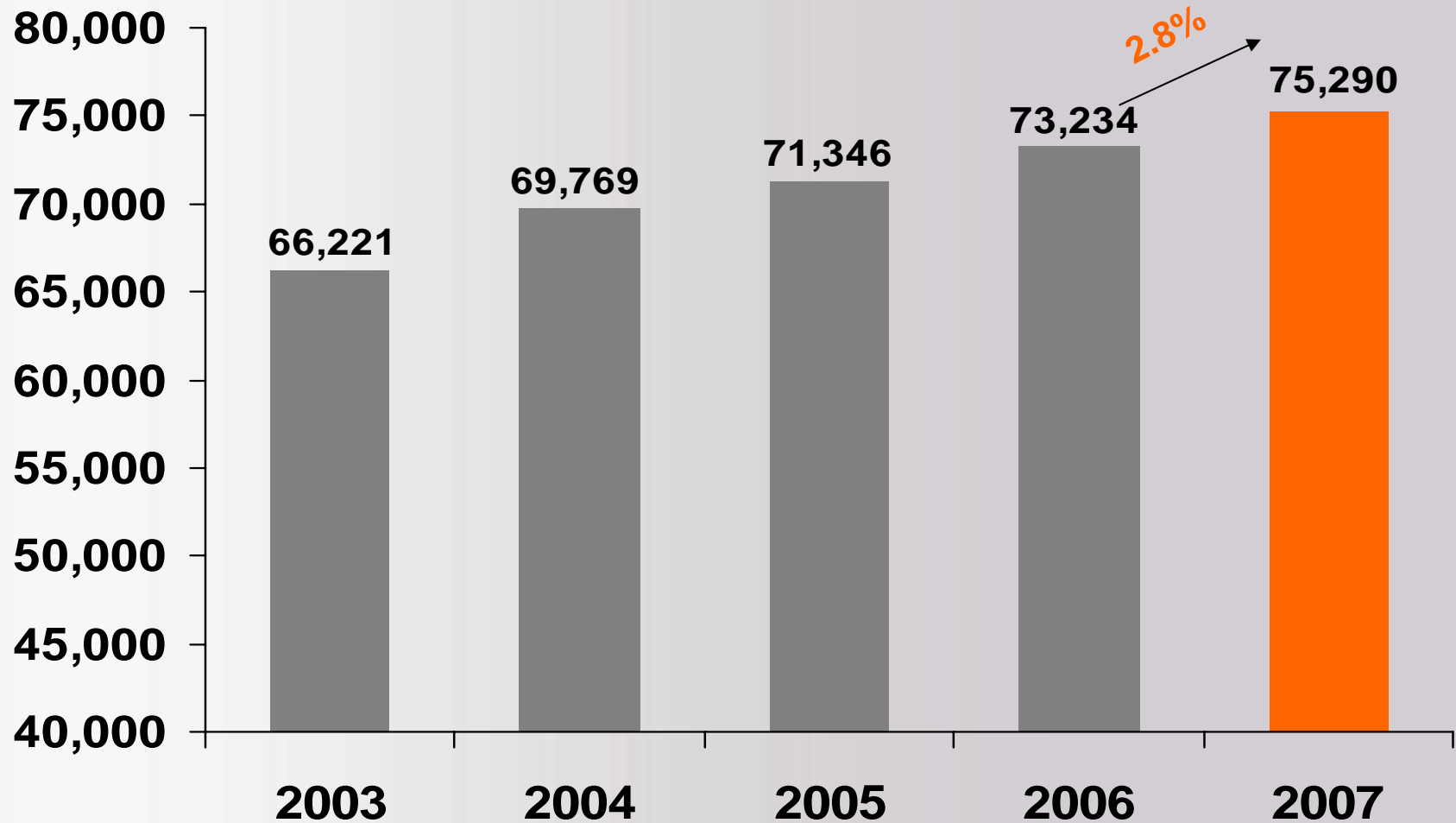
Loans to the Public (mil NIS)



Credit Risk by Market Sector



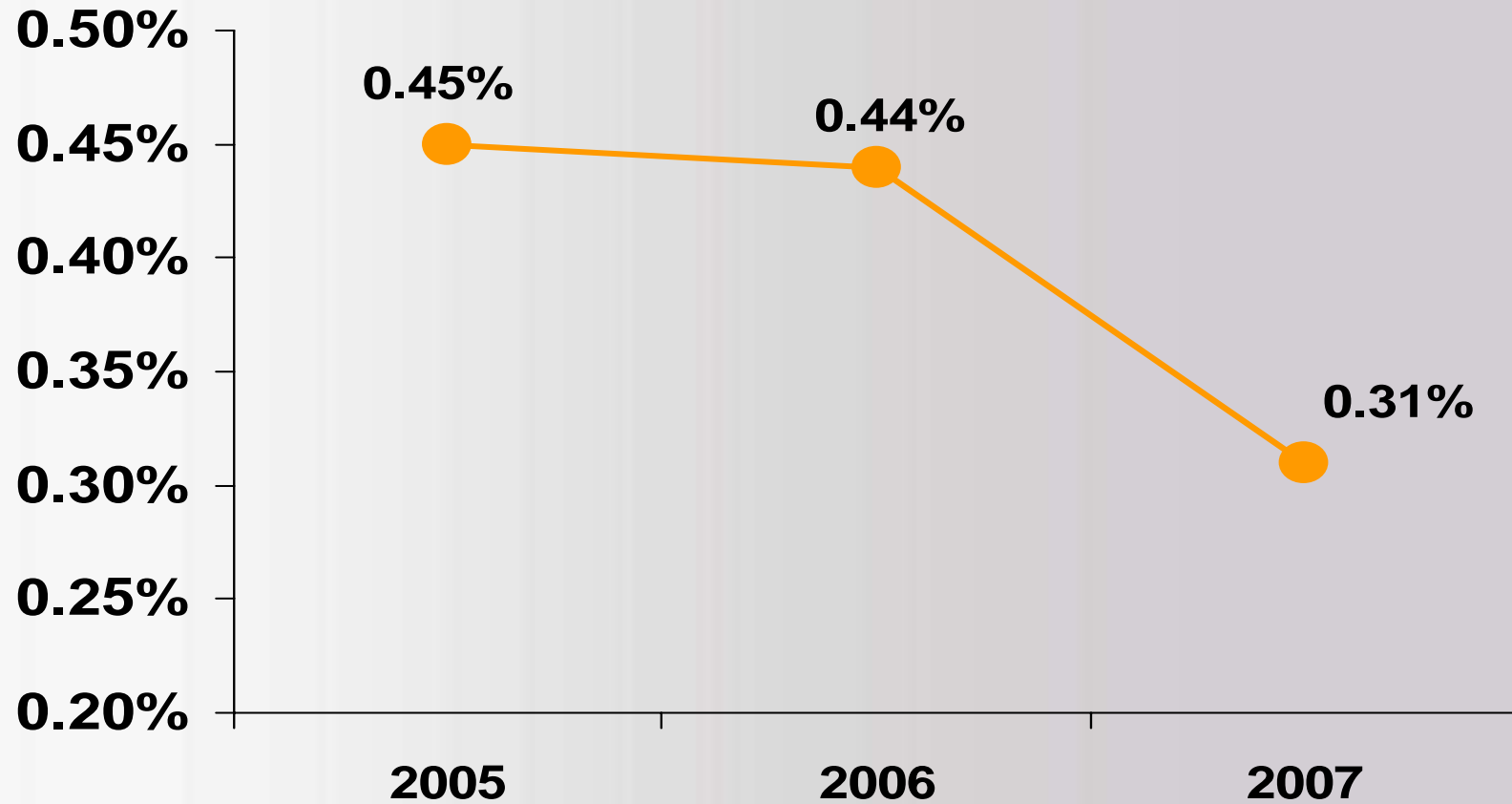
Deposits from the Public (mil NIS)



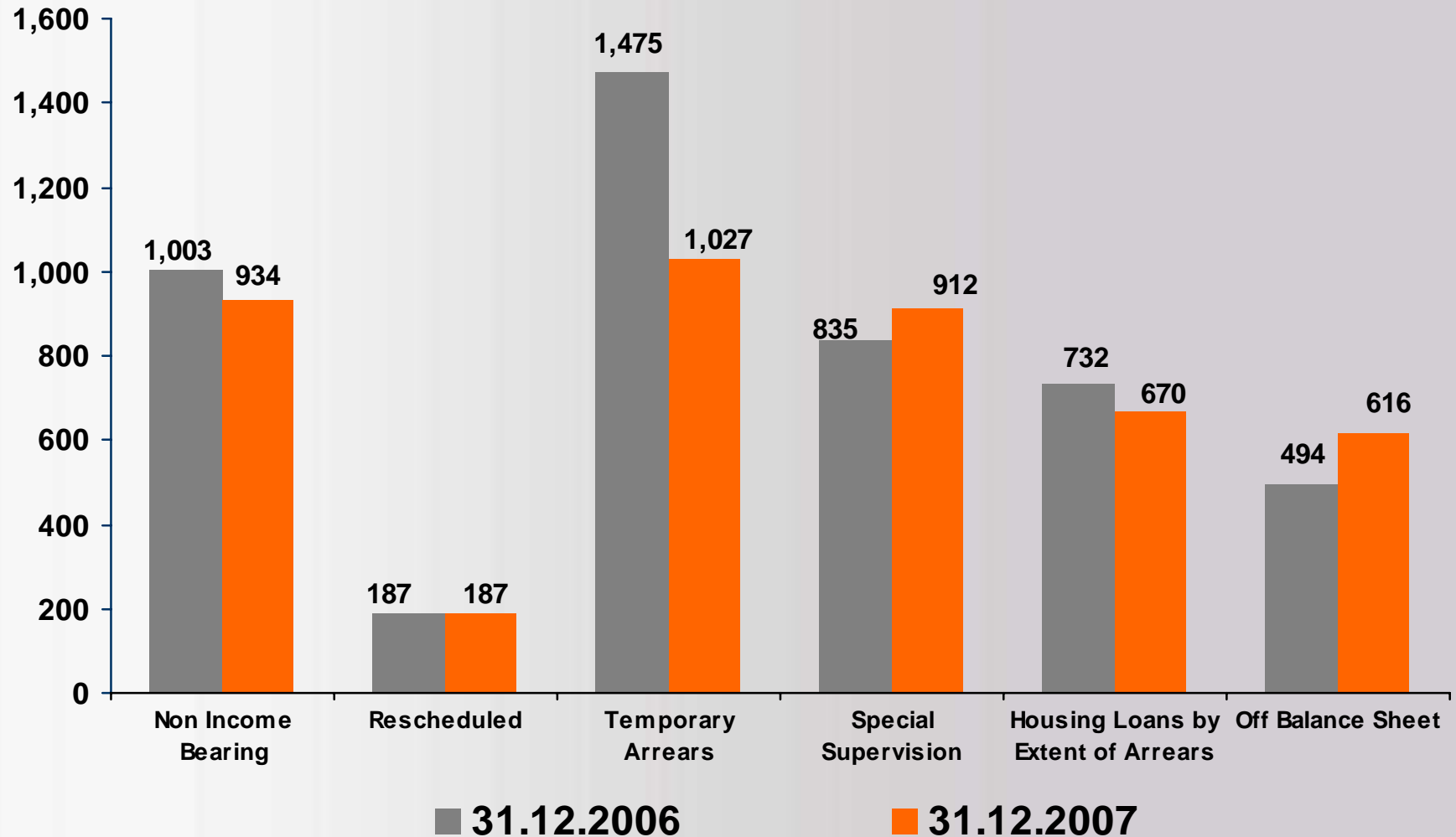
Problem Debts (mil NIS)

	2005	2006	2007
Provision for Doubtful Debts	292	305	228
Provision for impairment of asset-backed securities	-	-	114
Total Provisions	292	305	342
Total Problem Debts	4,895	4,725	4,346

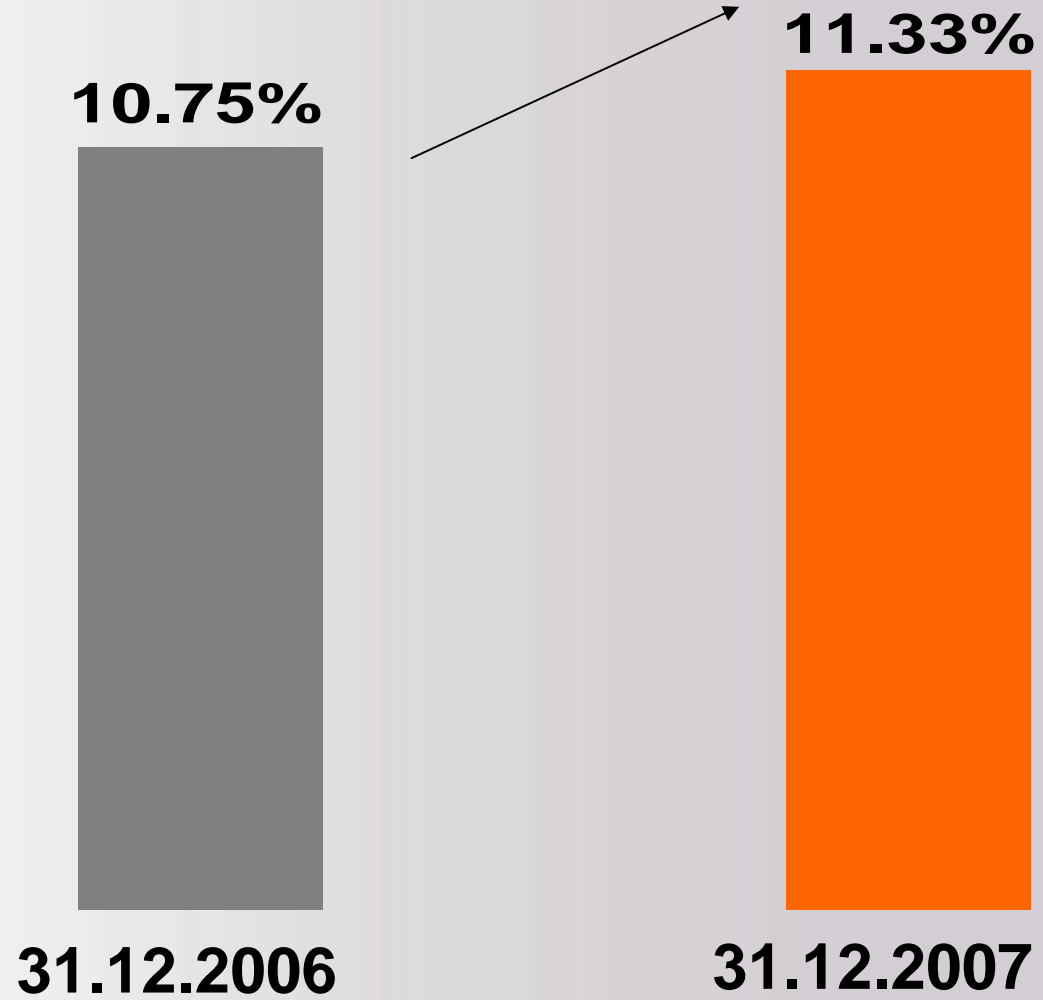
Provisions / Loans to the Public



Problem Debts – Analysis (mil NIS)



Capital Adequacy



Dividend

Dividend distribution policy (April 2006):

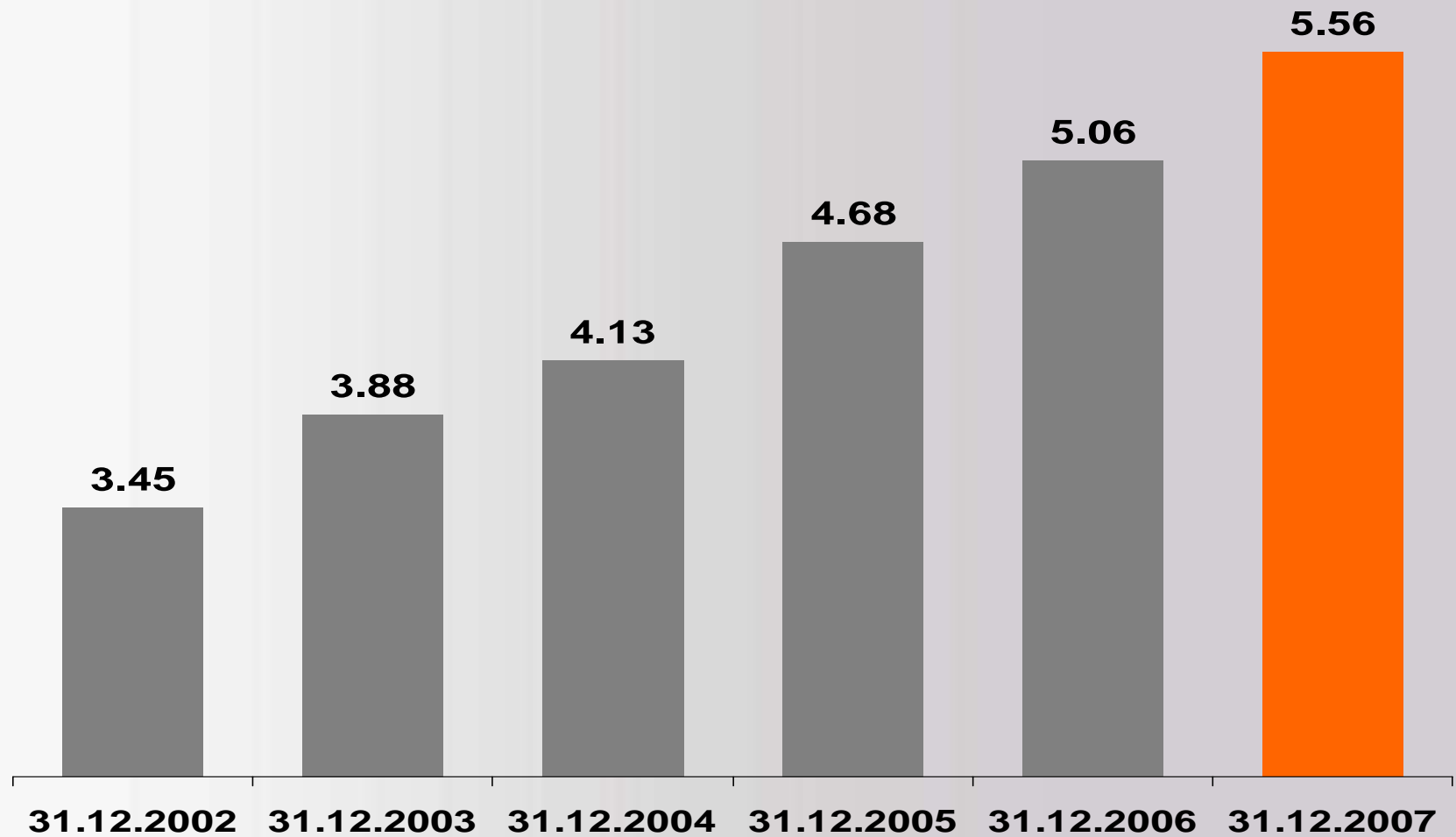
40% of the net operating profit

80% of the profit from extraordinary items

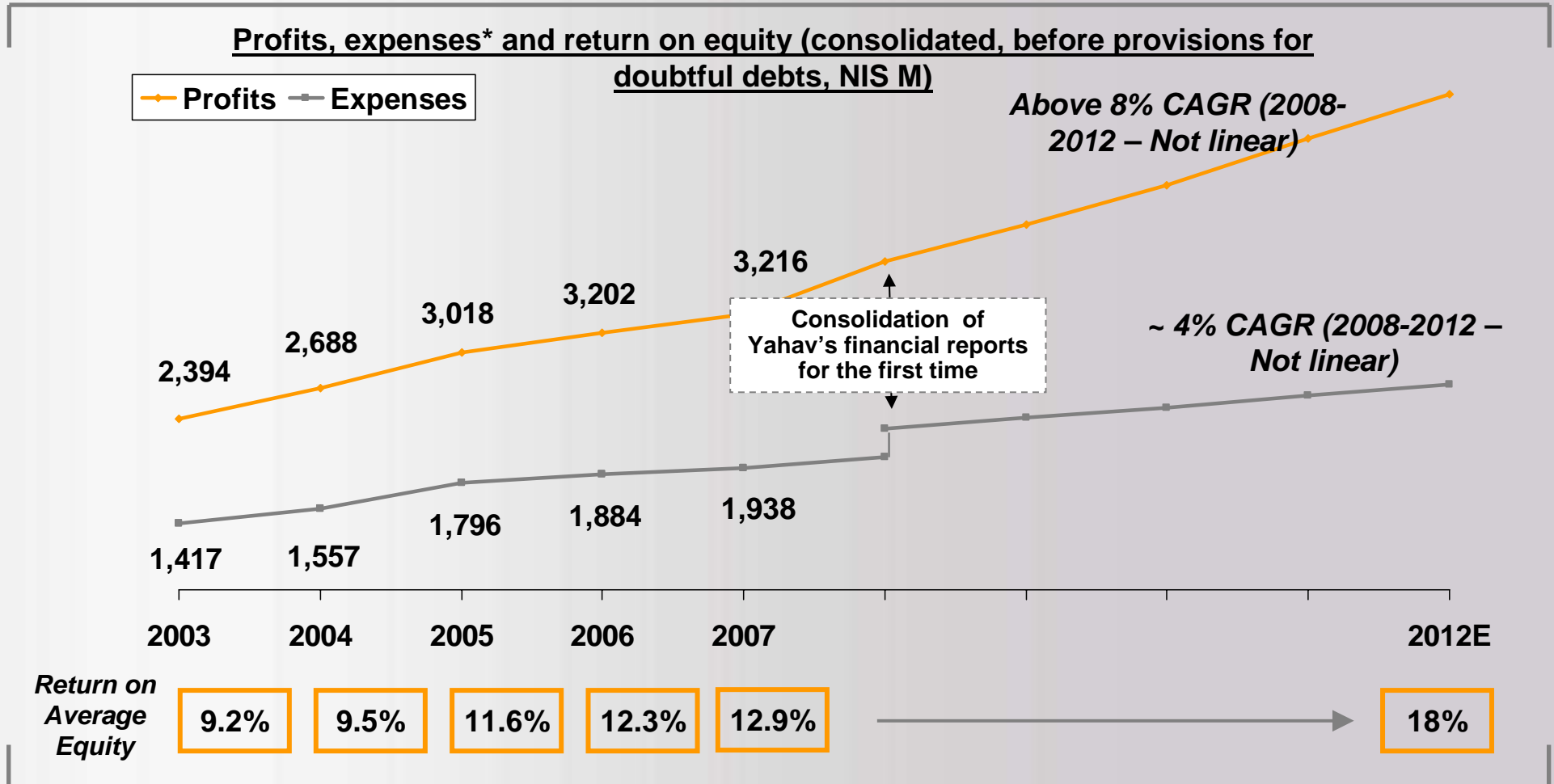
Dividend paid by the Bank:

	Total (mil NIS)	Profit per Share (NIS)
9/2006	125	0.57
12/2006	200	0.91
6/2007	200	0.90
9/2007	125	0.56
12/2007	75	0.34
2/2008	75	0.34
Total	800	3.62

Equity (Bil NIS)



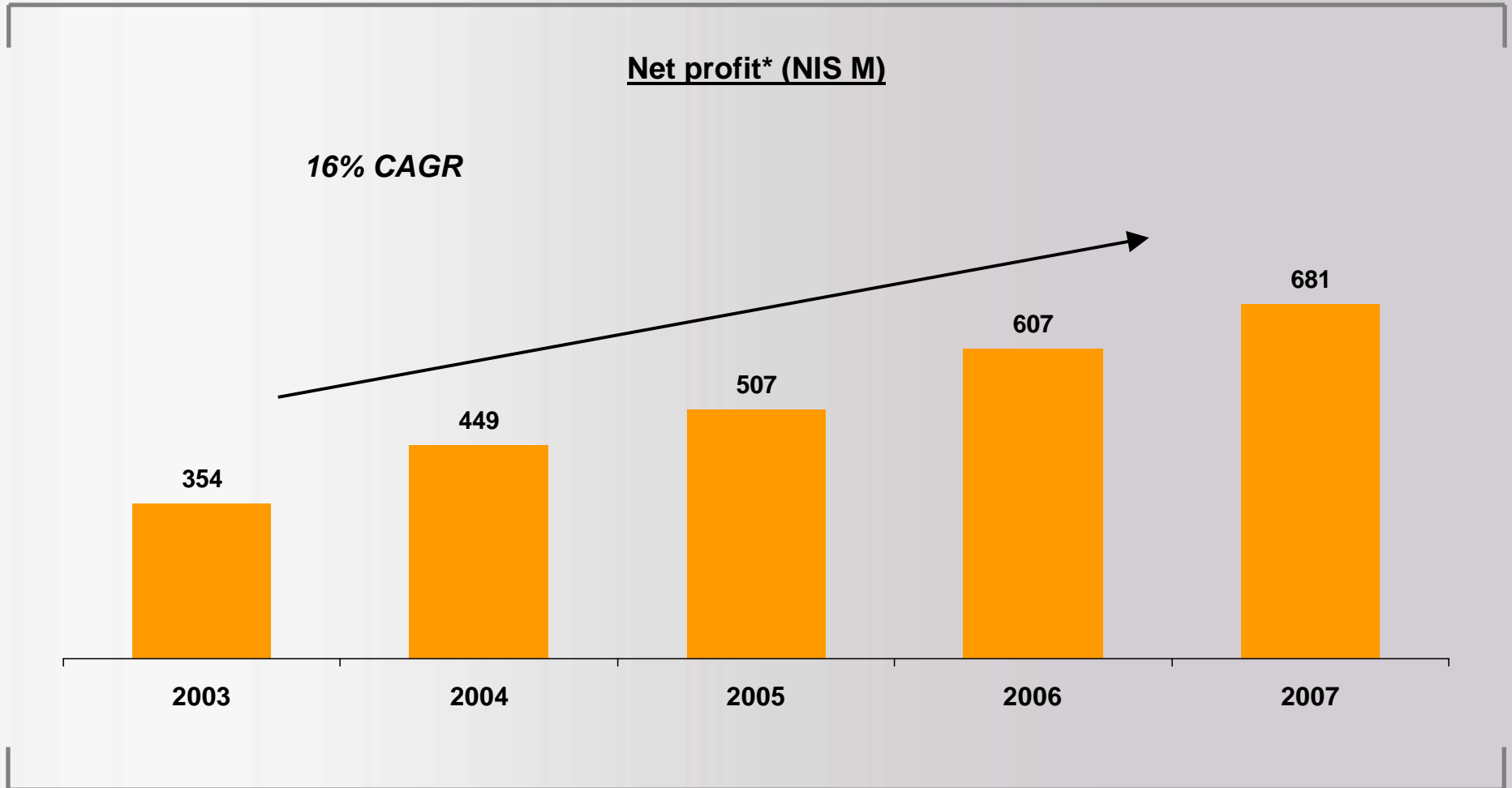
The group's target is to achieve a margin exceeding 4% between profits and expenses in the next five years



The group's aim is to reach 18% ROE by 2012

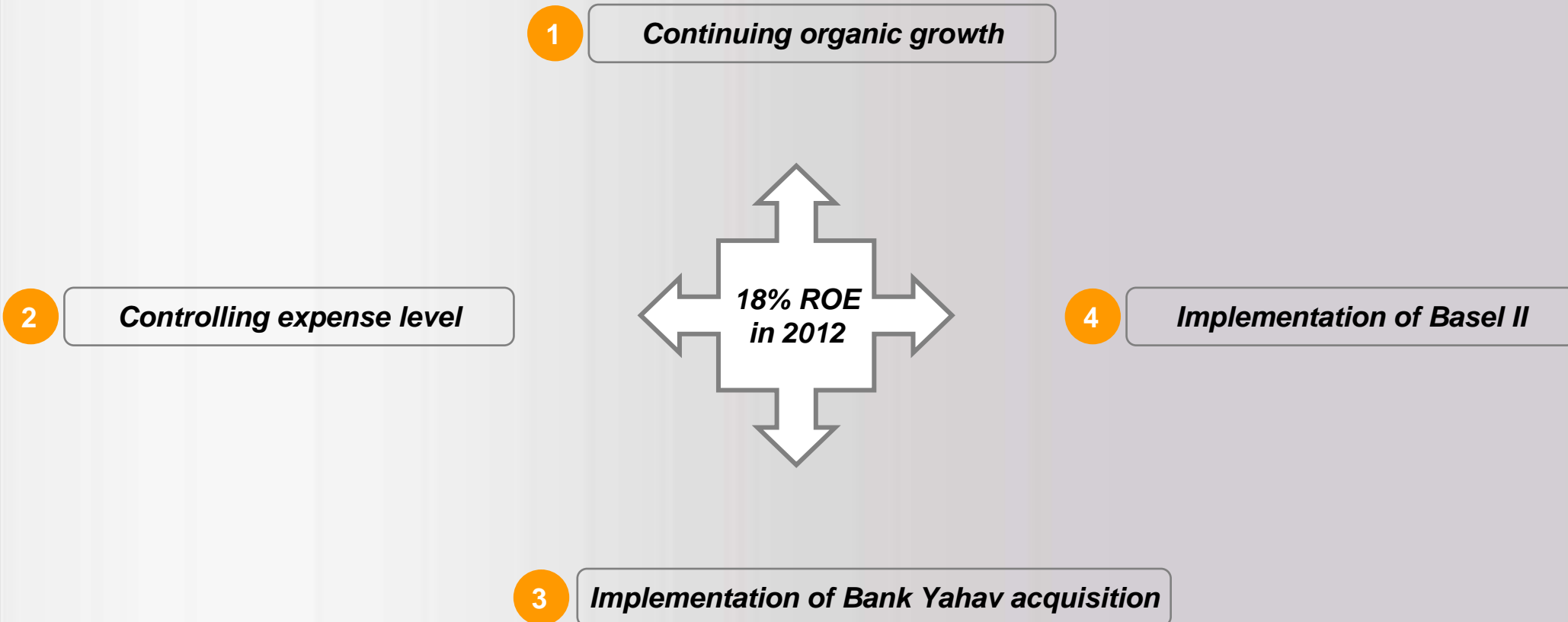
* Excluding retirements expenses

Net profit has grown at a rate of ~16% annually on average



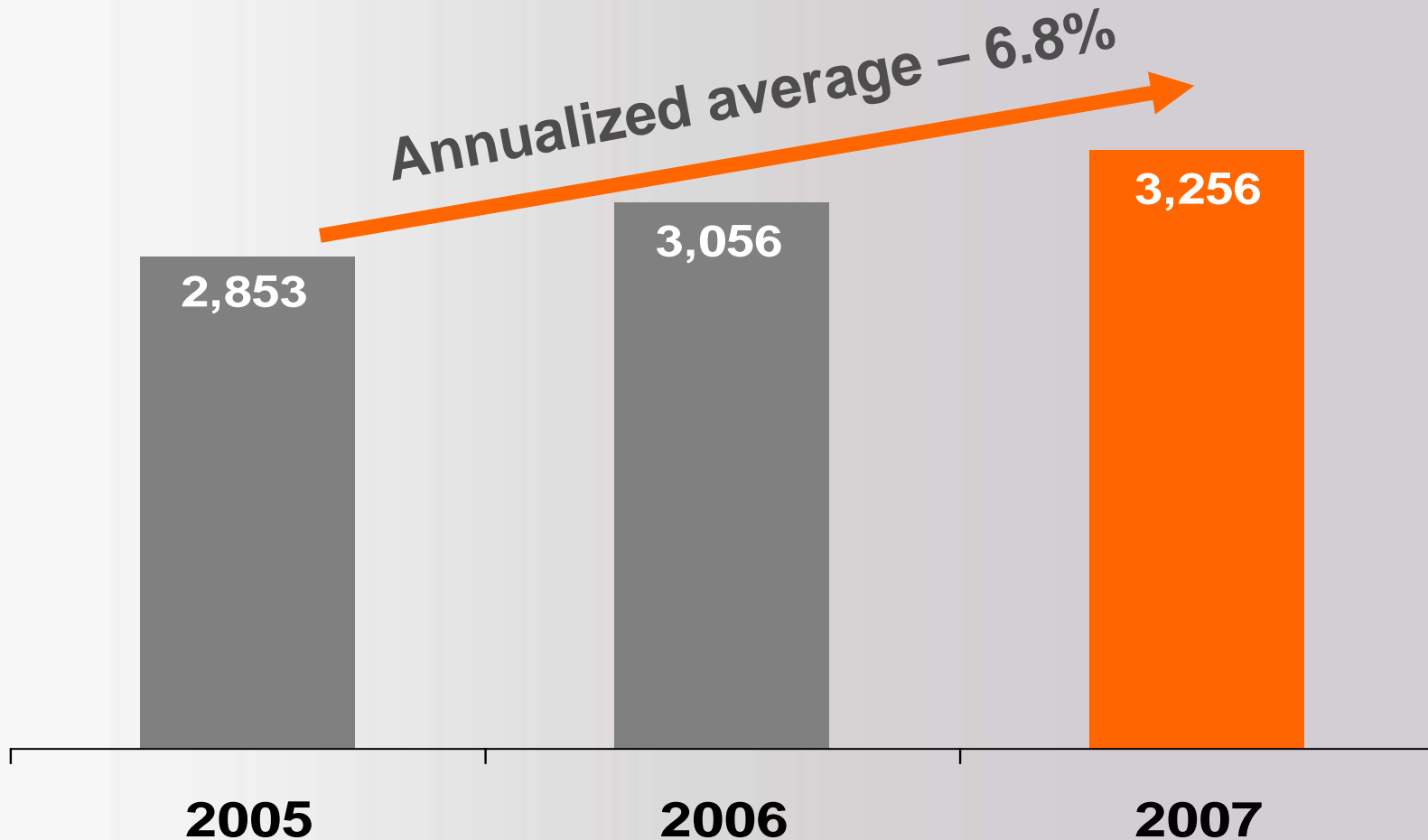
Successful implementation of the strategic plan resulted in doubling the group's net profit

The strategic principles that will lead the bank to the targeted ROE



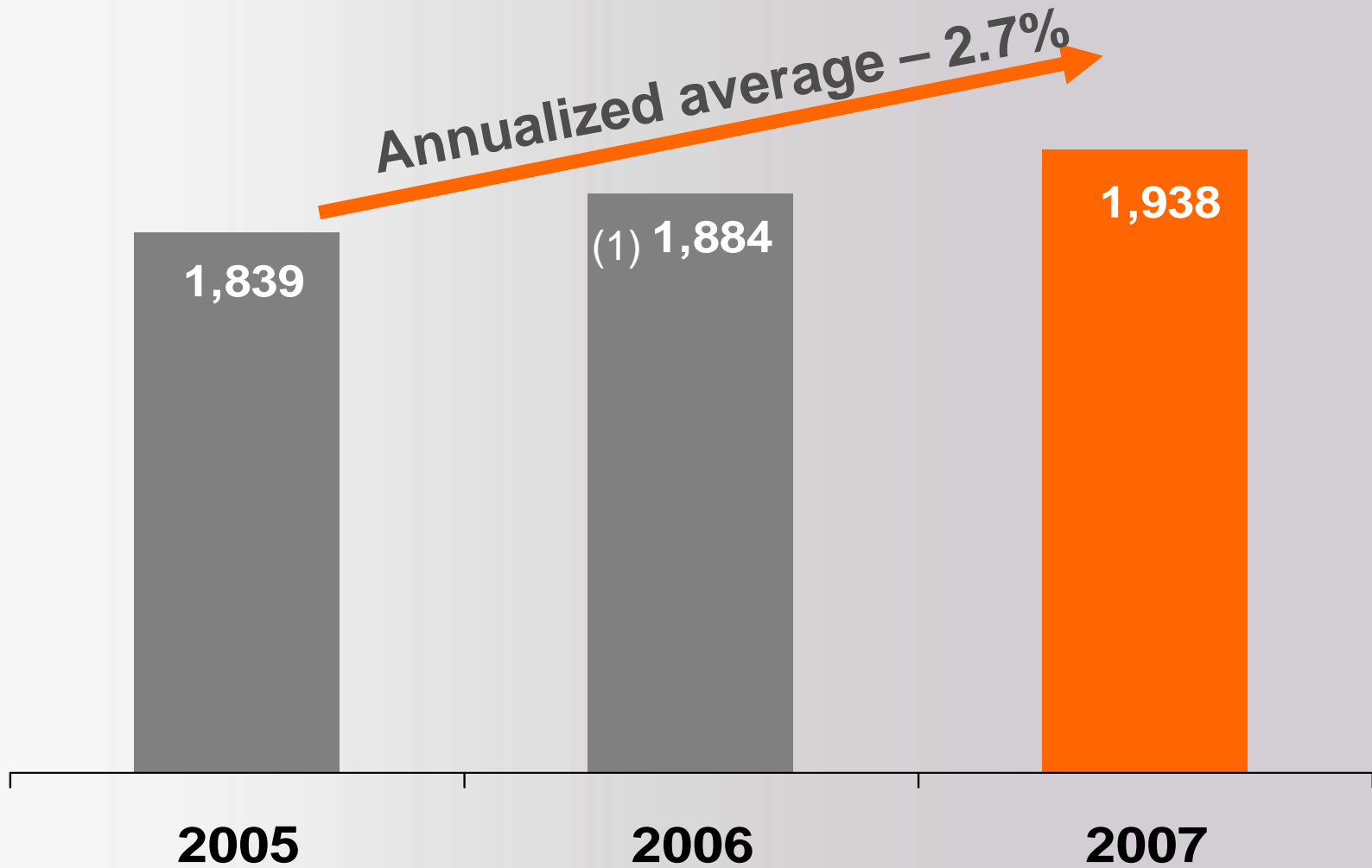
The group shall seek to continue its current growth path in addition to the leverage of the Yahav acquisition and the implementation of Basel II

Operating Revenues (1)

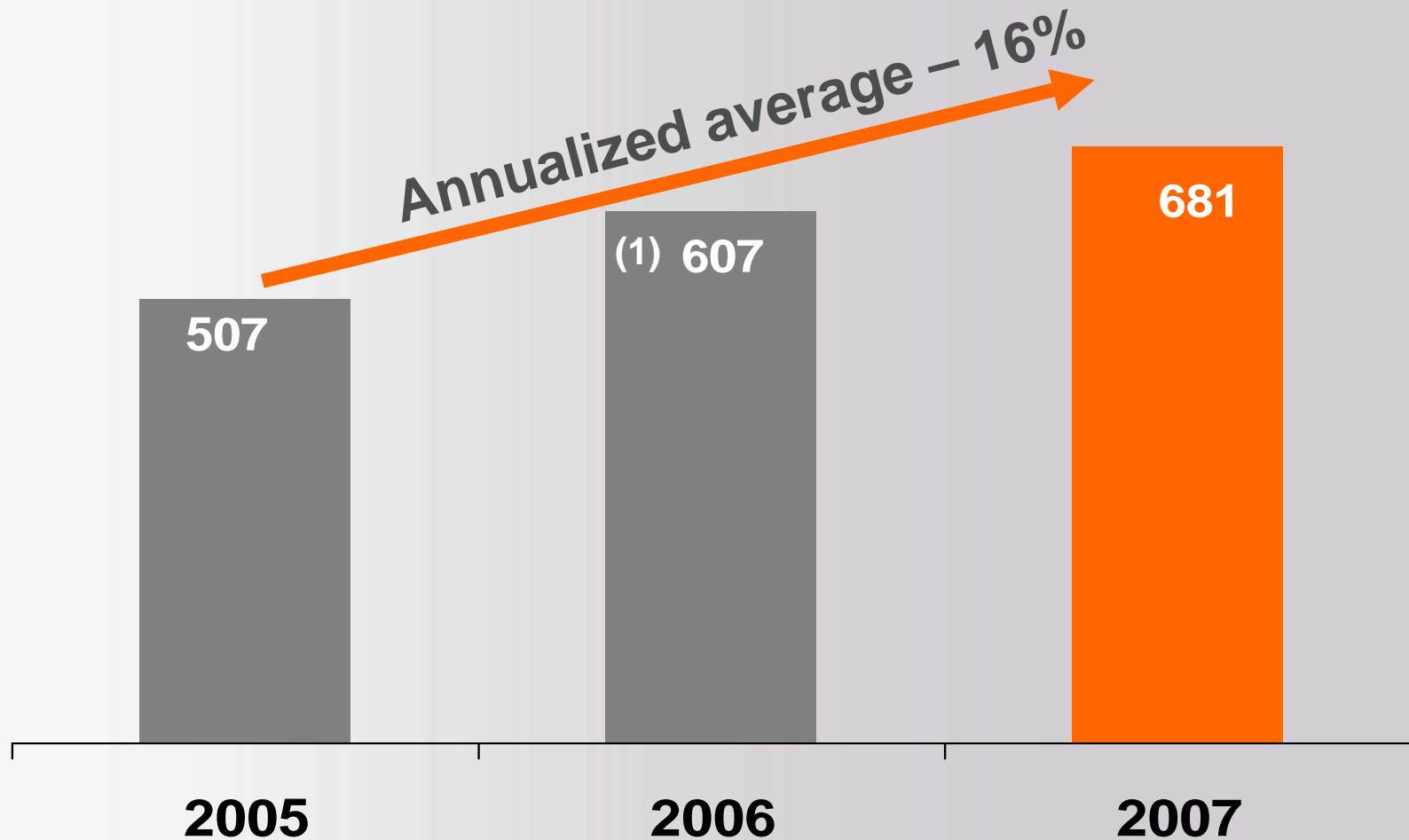


(1) Excluding provident fund and mutual fund operations and provision for impairment of asset-backed securities

Operating Expenses



Net Operating Profit



(1) Excluding extraordinary items

Analysis of 2007 Results

Net operating profit

681

After-tax impact of provision for impairment of asset-backed securities

70

Net operating profit excluding impact of provision for impairment of of asset-backed securities

751

Profit reflects return on equity of

14%

- Growth rate of credit cards based on transaction volume

	2007	2006
Credit card market	11.2%	11.1%
Mizrahi-Tefahot	12.4%	18.3%

- In 2007 – 13% growth in credit to households

Retail Data – Branches and Points of Sale

Merger Synergies

