



MIZRAHI TEFAHOT

Financial Statements

31 December 2008



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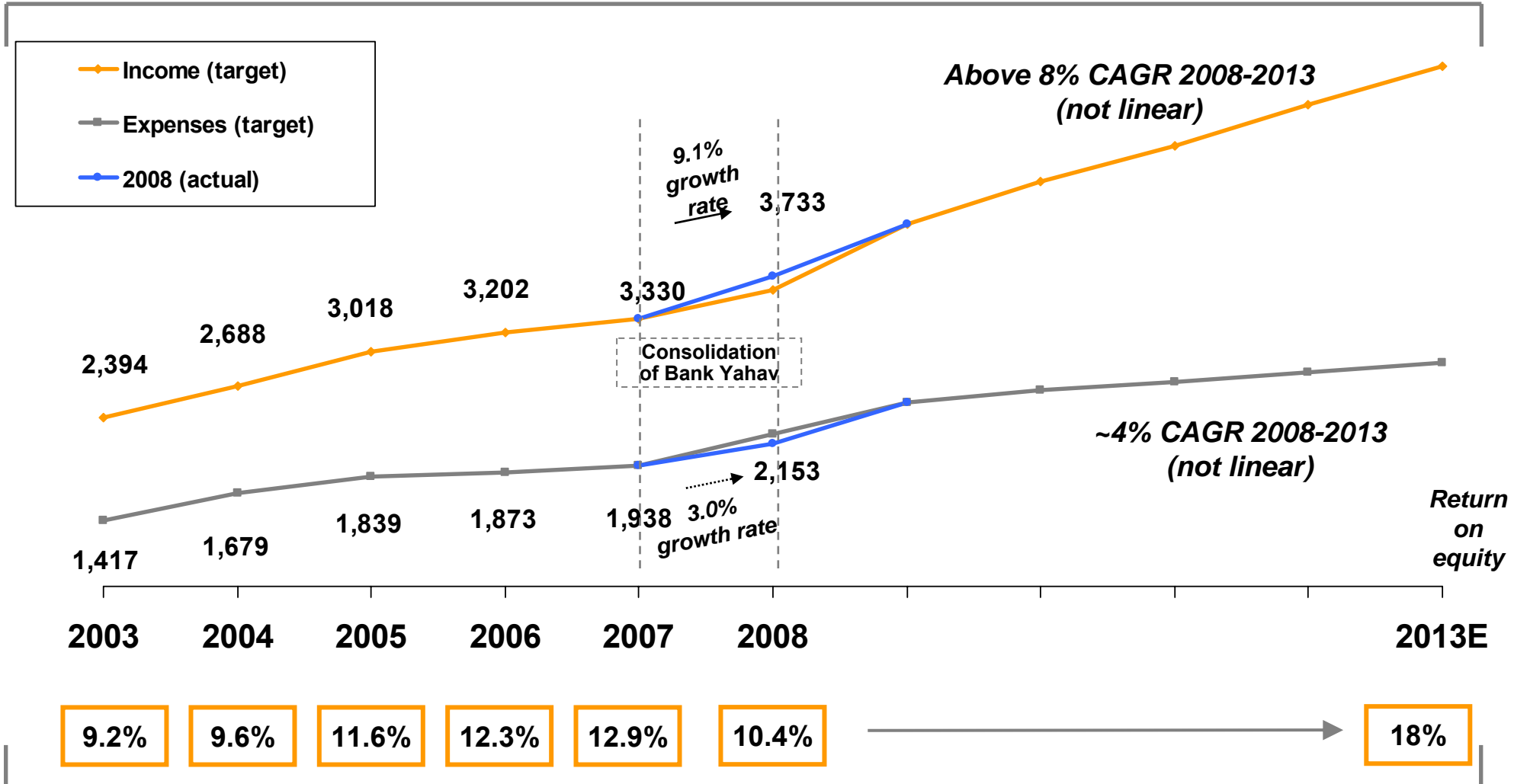
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Forward looking statements for the company's business, financial condition and results of operations, are subject to risks and uncertainties, that could cause actual results to differ materially from those contemplated. Such forward looking statements, include but are not limited to, product demand, pricing, market acceptance, changing economic conditions, risks in product and technology development and the effect of the company's accounting policies, as well as certain other risk factors which are detailed from time to time in the company's filings with the securities authorities.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, or a recommendation of any kind regarding any security or any interest in security.

2008 income*, expenses and return on equity in view of the strategic plan for 2008-2013**

consolidated, before provision for doubtful debts,



* Excluding provision for impairment of Bank investments in securities due to the financial crisis

** Q3 08 onwards - including Bank Yahav

*** Growth rate in 2008 adjusted for impact of Bank Yahav consolidation.



Loans to the public (NIS bil)

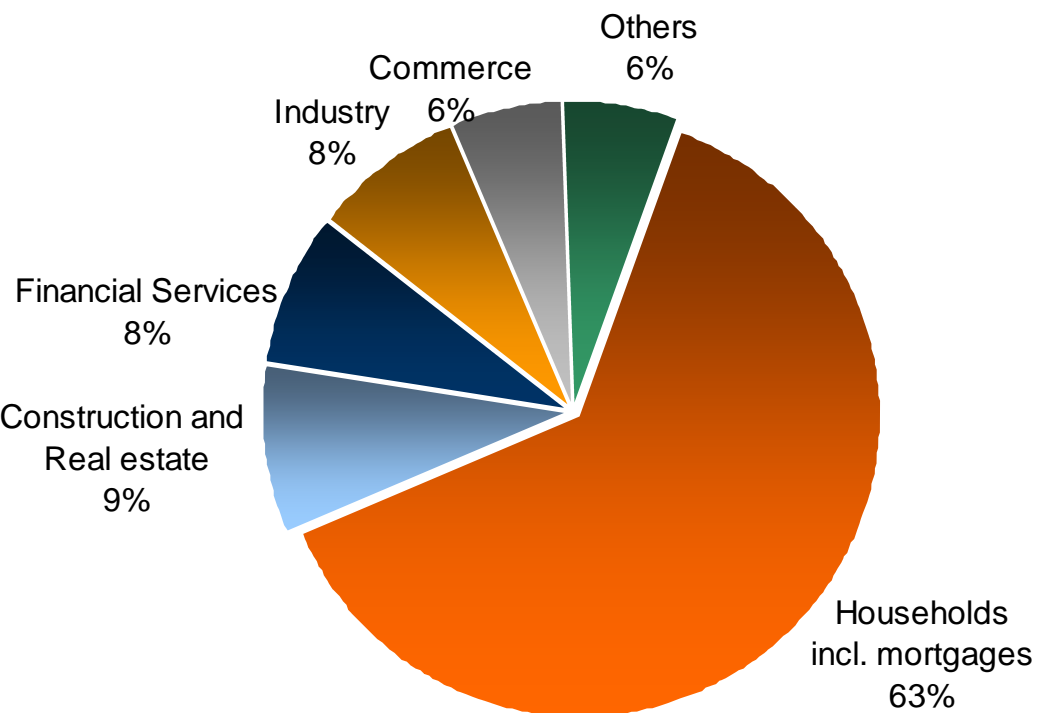
	31.12.2008	31.12.2007	Increase NIS bil	Increase %
Households – housing loans	44.9	38.9	6.0	15.4%
Households - Others	5.3	4.7	0.6	12.8%
Total households	50.2	43.6	6.6	15.1%
Corporate credit (including international activity)	34.0	30.7	3.3	10.7%
Total loans to the public excluding Bank Yahav	84.2	74.3	9.9	13.3%
Bank Yahav – retails loans	3.8	-	3.8	-
Total loans to the public including Bank Yahav –	88.0	74.3	13.7	18.5%



Loans to the public classified by economic sector

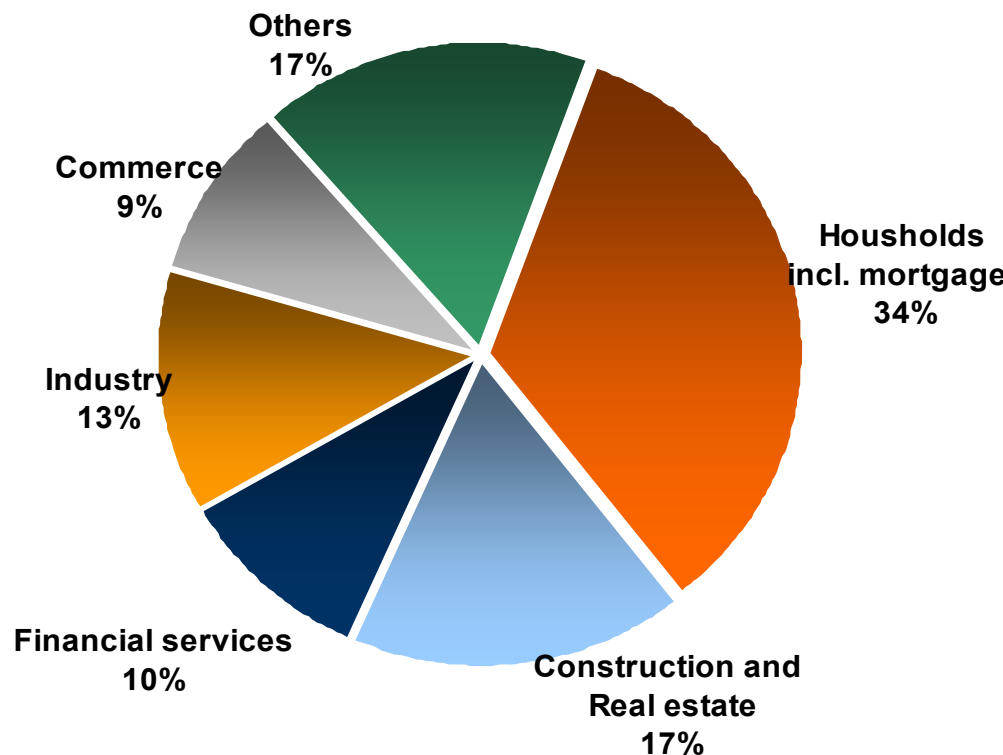
UMTB (incl. Yahav)

31.12.08



Other 4 banking groups*

30.09.08

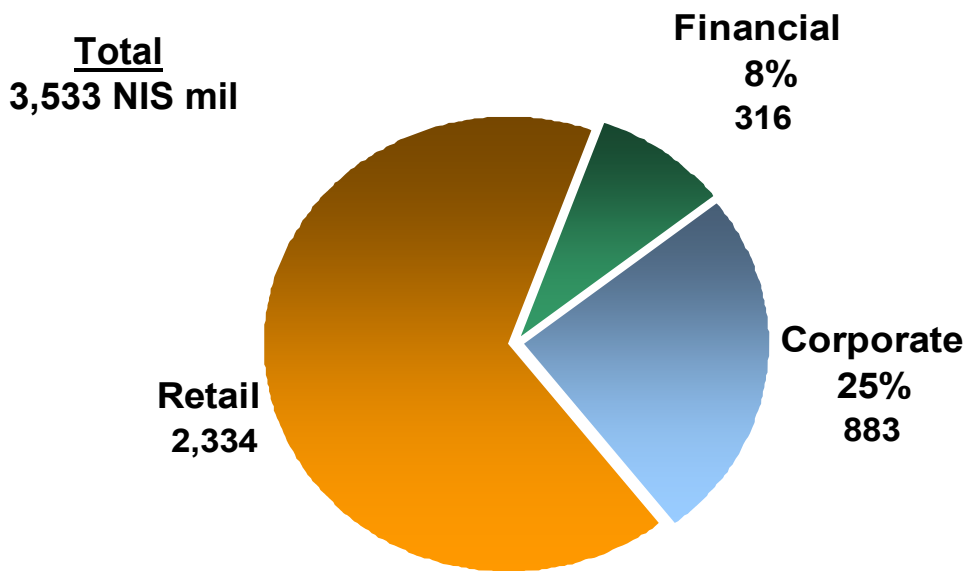


* Hapoalim, Leumi, Discount and First International groups



Income by main operating segments (NIS mil.)

Income by main operating segments 2008*



Retail segment includes Households, Mortgages, Small businesses and Private banking

Corporate segment includes commercial and business Banking

Financial segment includes Financial management

** Excluding Yahav. Profit from financing operations and operating and other profit before provisions for doubtful debts, excluding provision for impairment of Bank investments in securities due to the financial crisis*

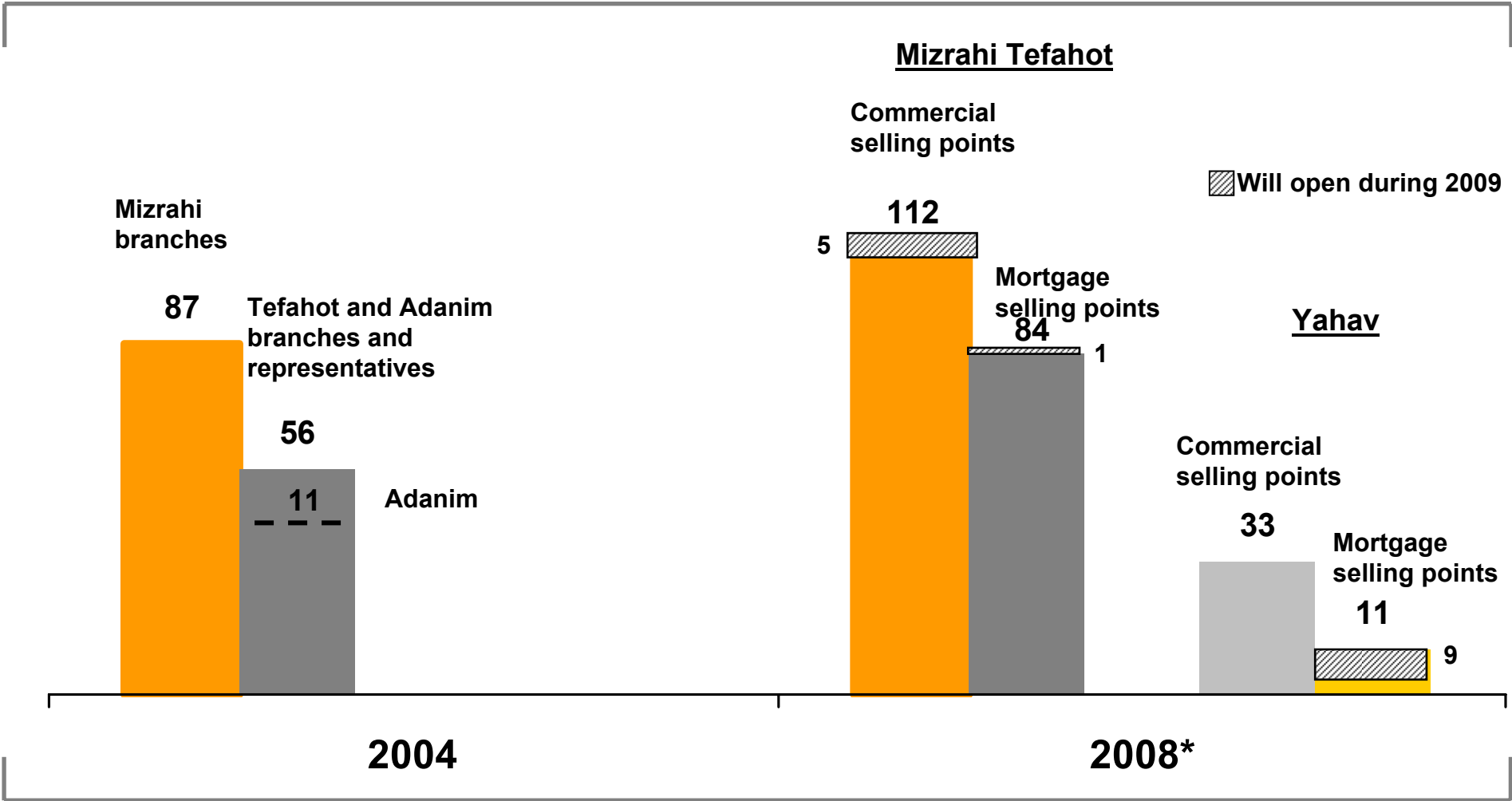
Retail income breakdown**

	2008	2007	% change
Households	994	903	10.1
Mortgages	681	602	13.1
Small businesses	510	450	13.3

***Excluding Yahav*



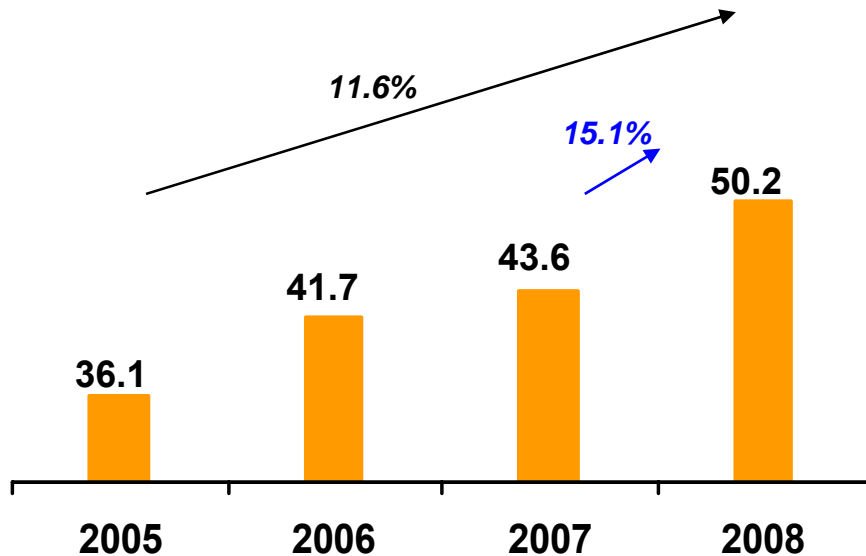
Number of selling points



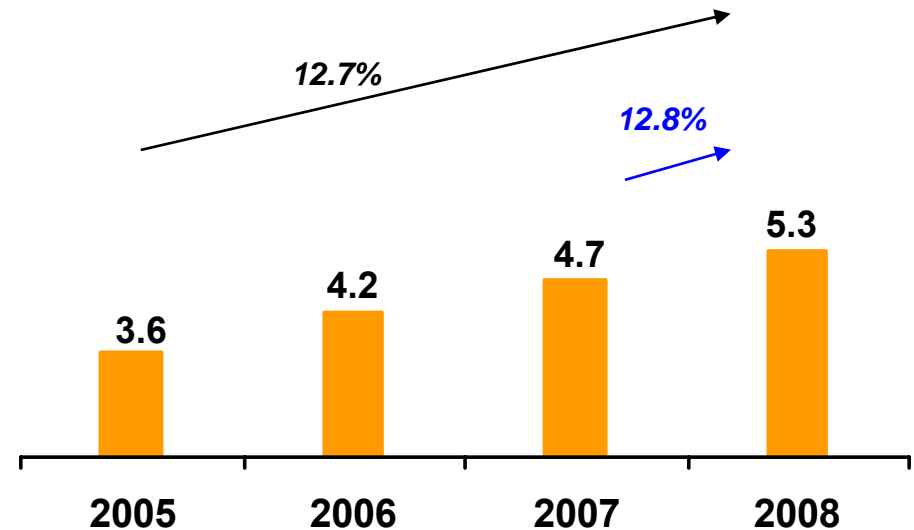
* During 2009 the following points of sell will be opened: Mizrahi Tefahot: 5 commercial points of sell and 1 mortgage point of sell, Yahav: 9 mortgage points of sell

Households including mortgages – credit growth (NIS bil) average annual growth rate, excl. Yahav

Credit to households incl. mortgages
(balance sheet, end of period - billions)



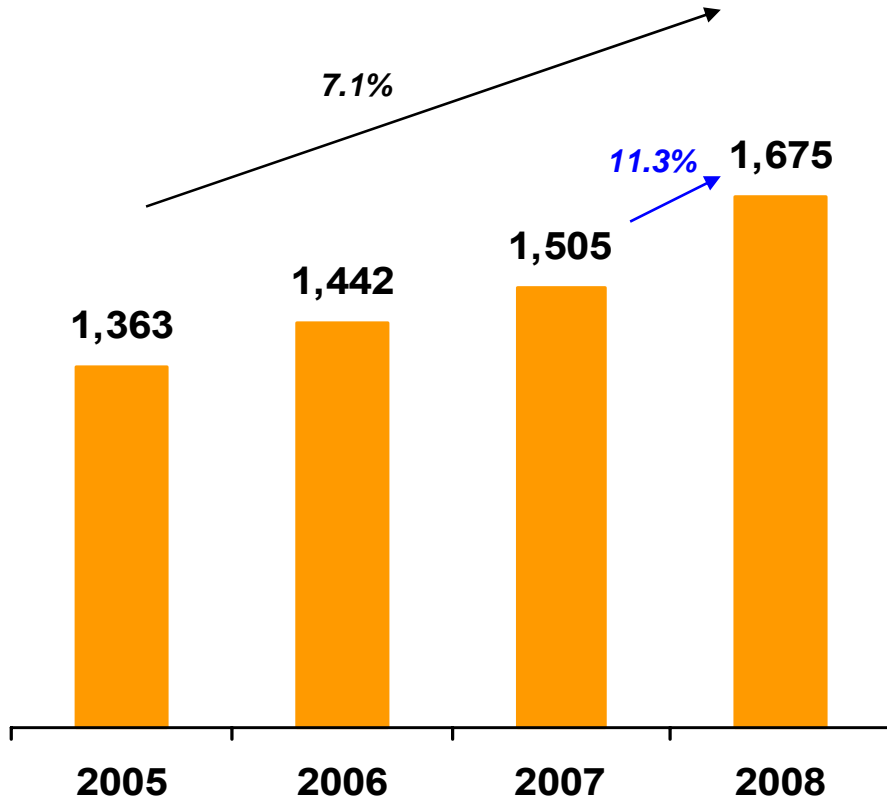
Credit to households excl. mortgages
(balance sheet, end of period billions)



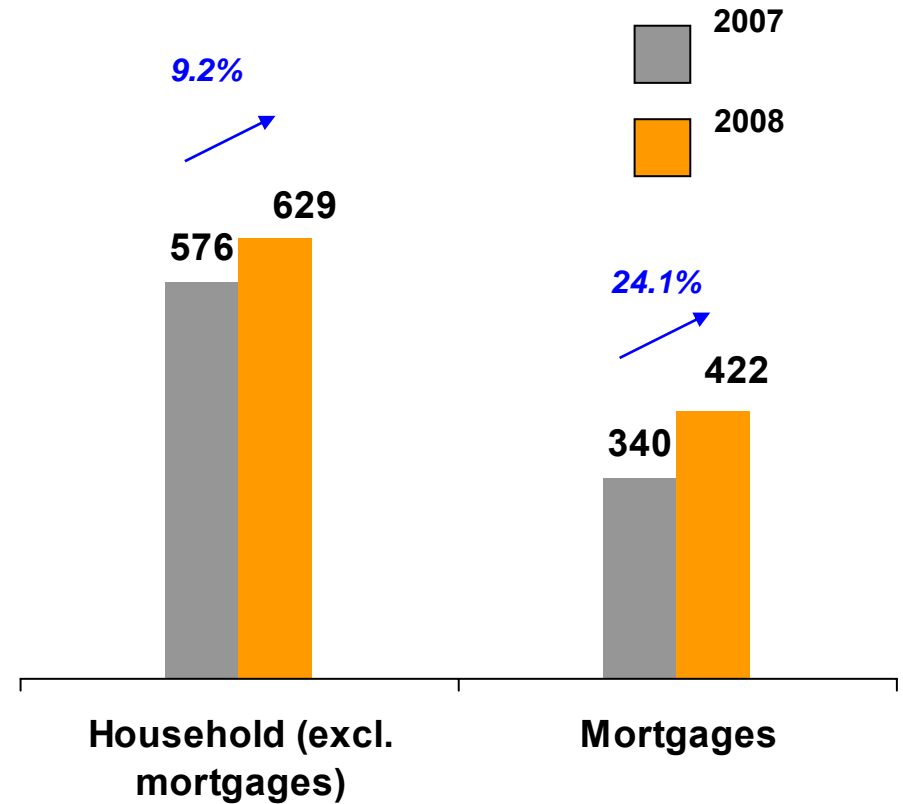


Households – income and profit from financing operations (NIS mil) average annual growth rate

Income from households incl. mortgages



Profit from financing operations (NIS mil)

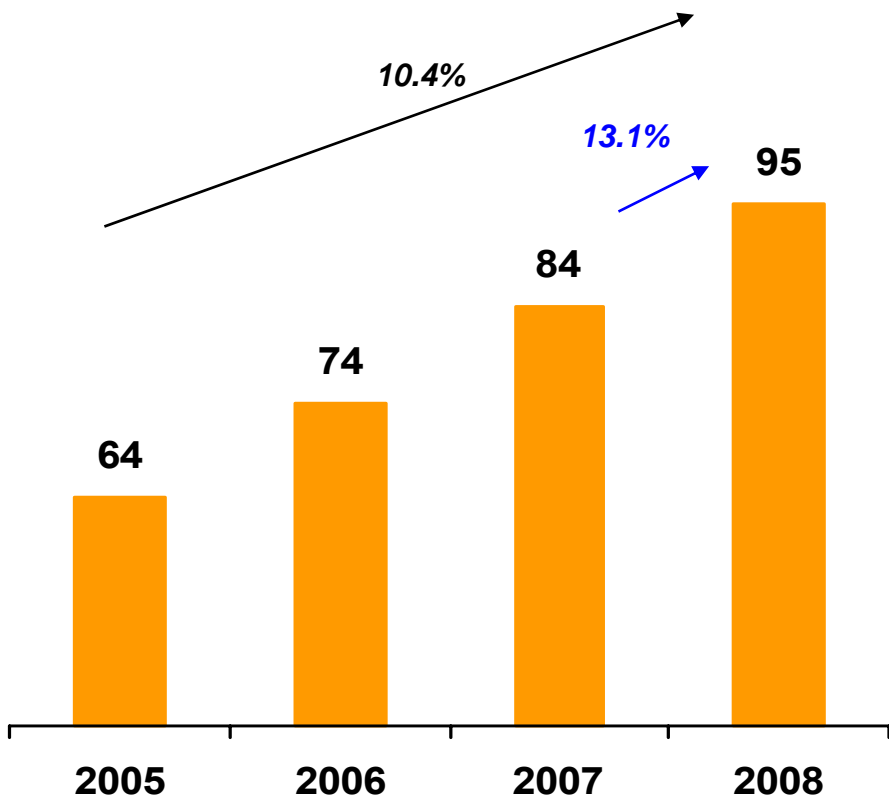




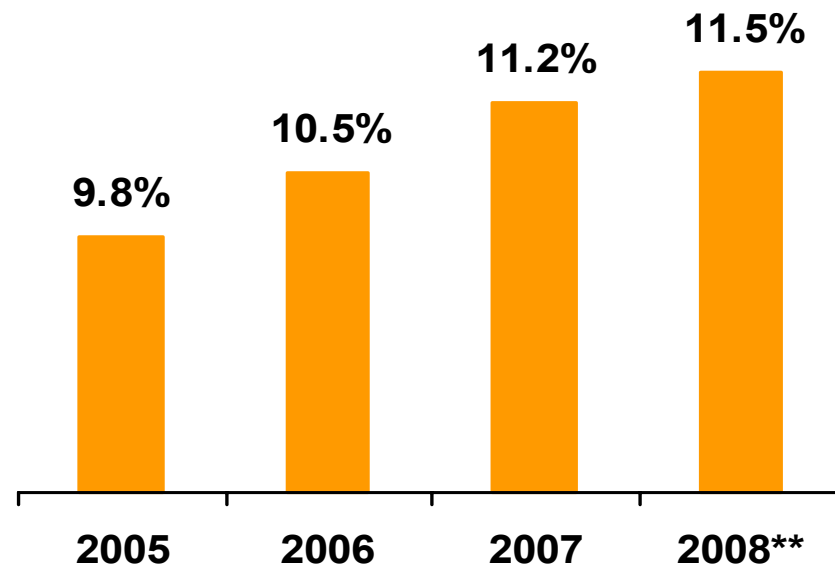
Credit cards* – income and market share

Average annual growth rate

income from credit cards (NIS mil)



Income from credit cards – group's market share of total banking system



Credit cards activity is a good proxy for households market share and profit growth

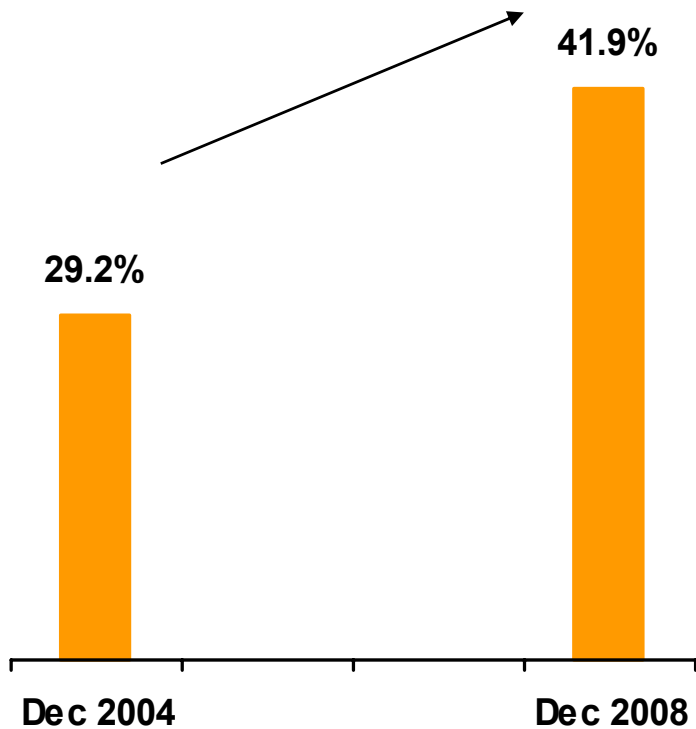
* Excluding Yahav

** Estimated

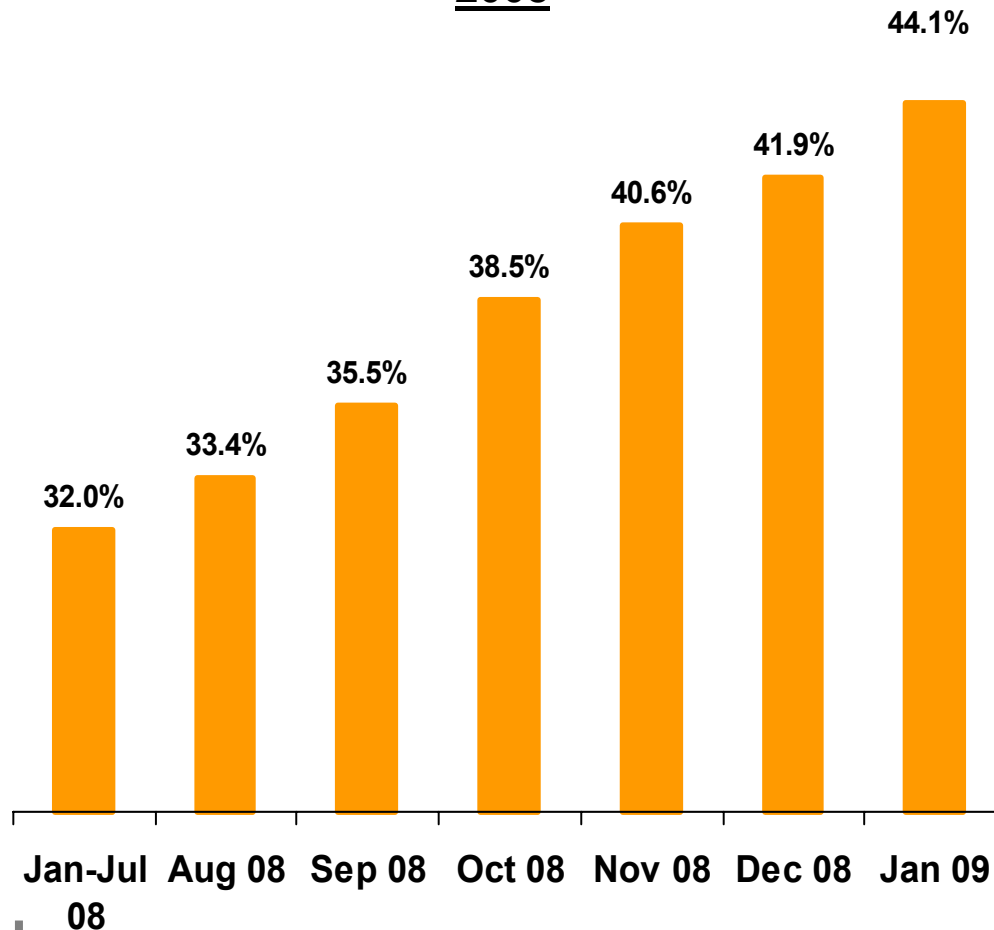


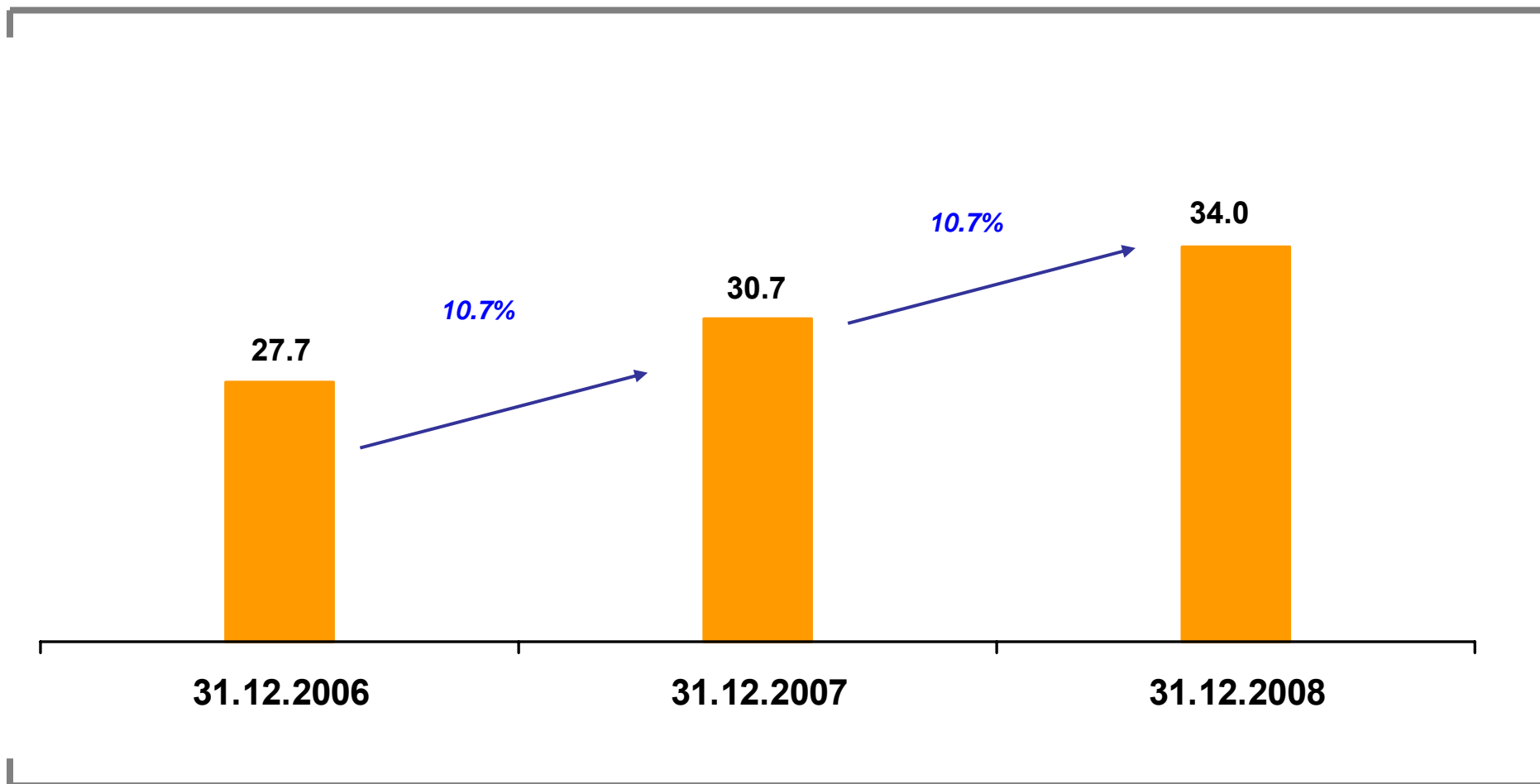
Mortgages – group’s market share

**Group’s market share in new housing loans
2004 - 2008**



**Group’s market share in new housing loans
2008**





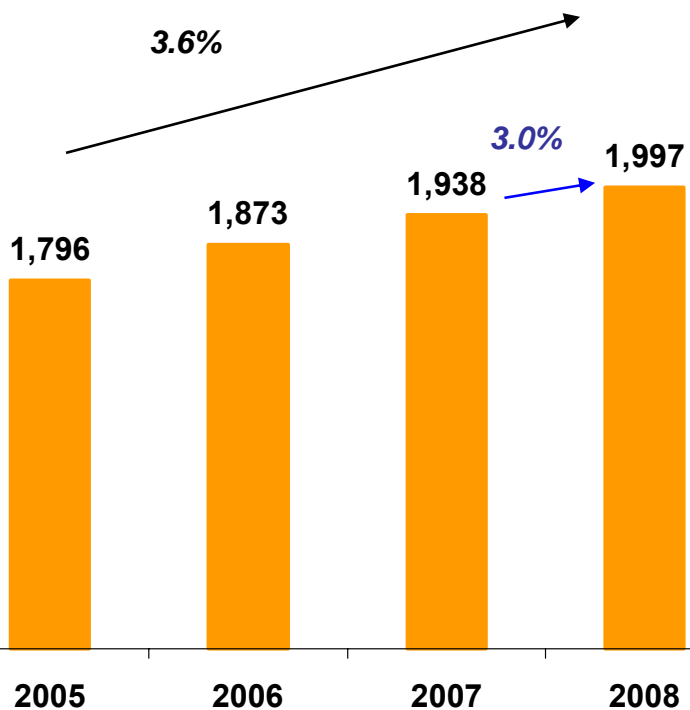
* Excluding Yahav



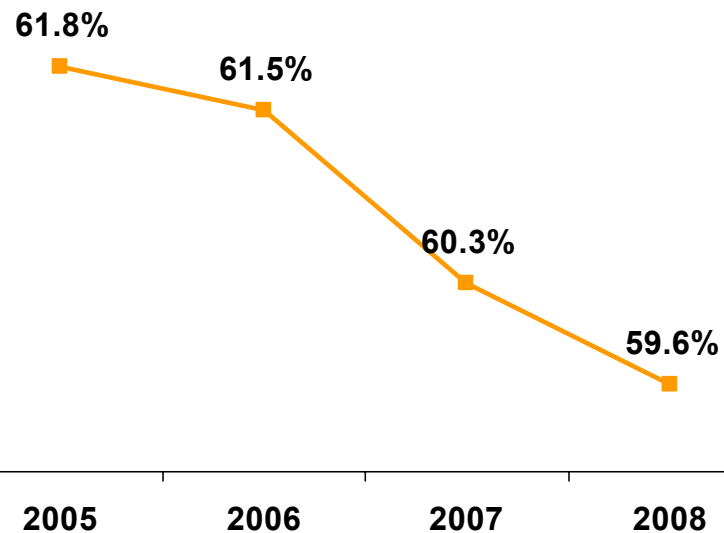
Operating expenses and labor expenses

Average annual growth rate

Total operating and other expenses (NIS mil)



Labor expenses out of total expenses



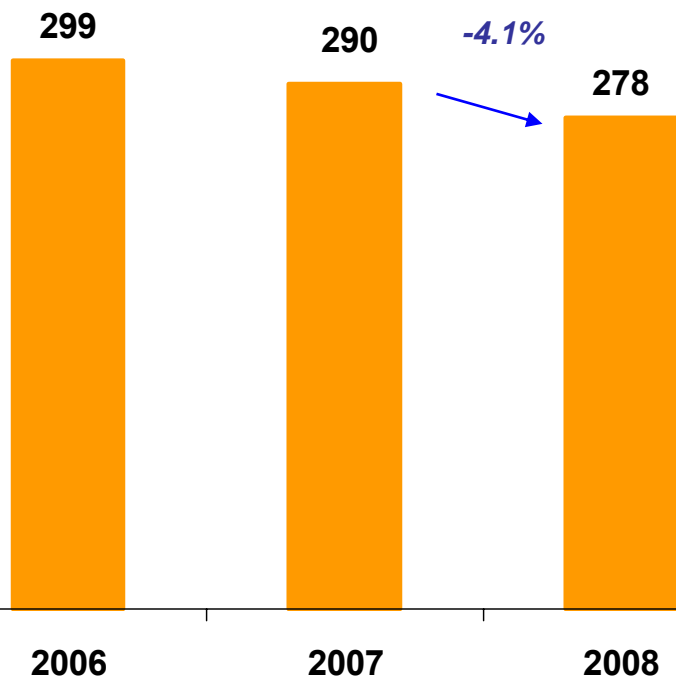
* Excluding early retirement expenses and Yahav



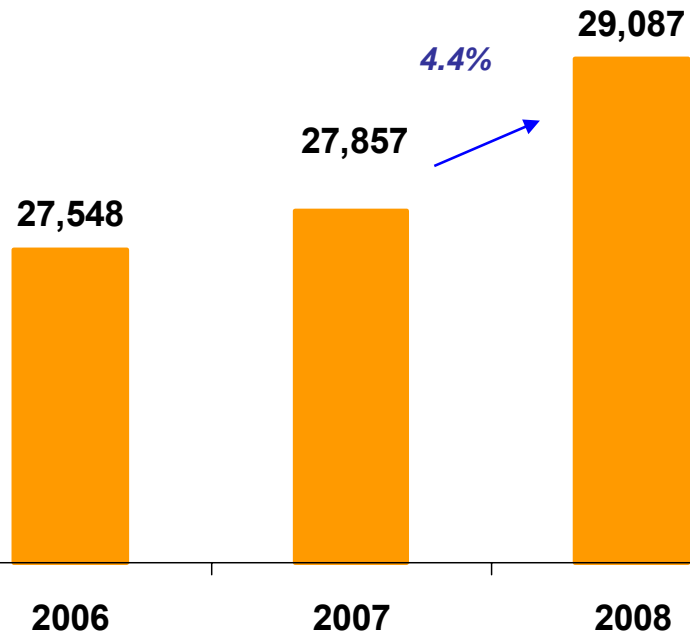
Cost* and output** per employee (NIS thousand)***

Annual growth rate

Cost per employee



Output per employee



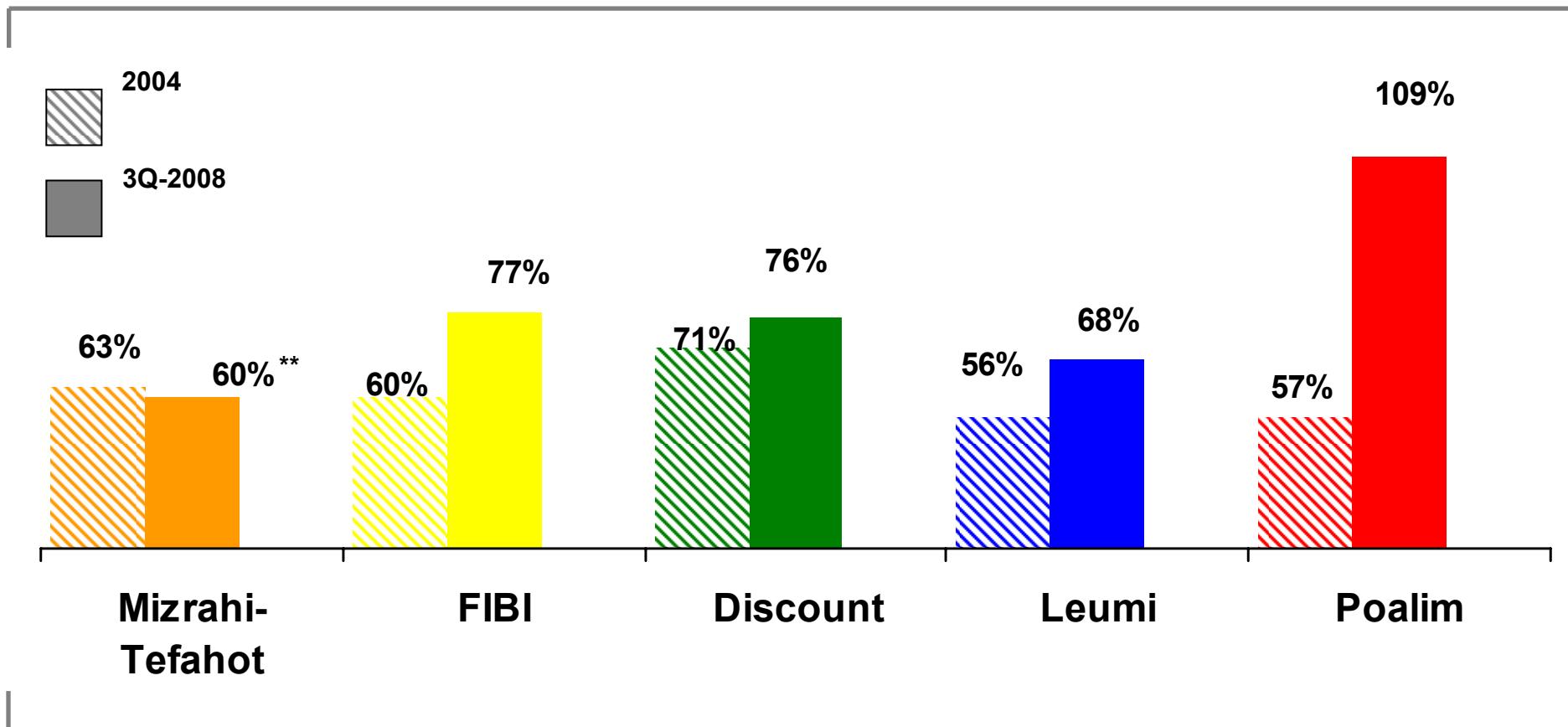
* Salaries and related expenses divided by number of employee posts including those in subsidiaries abroad; includes a translation of the cost of overtime and a budget for staff from manpower companies.

** Total balance sheet assets of the banking group plus credit equivalent value of off balance sheet assets.

*** Excluding retirement expense and Yahav



Cost/income ratio*



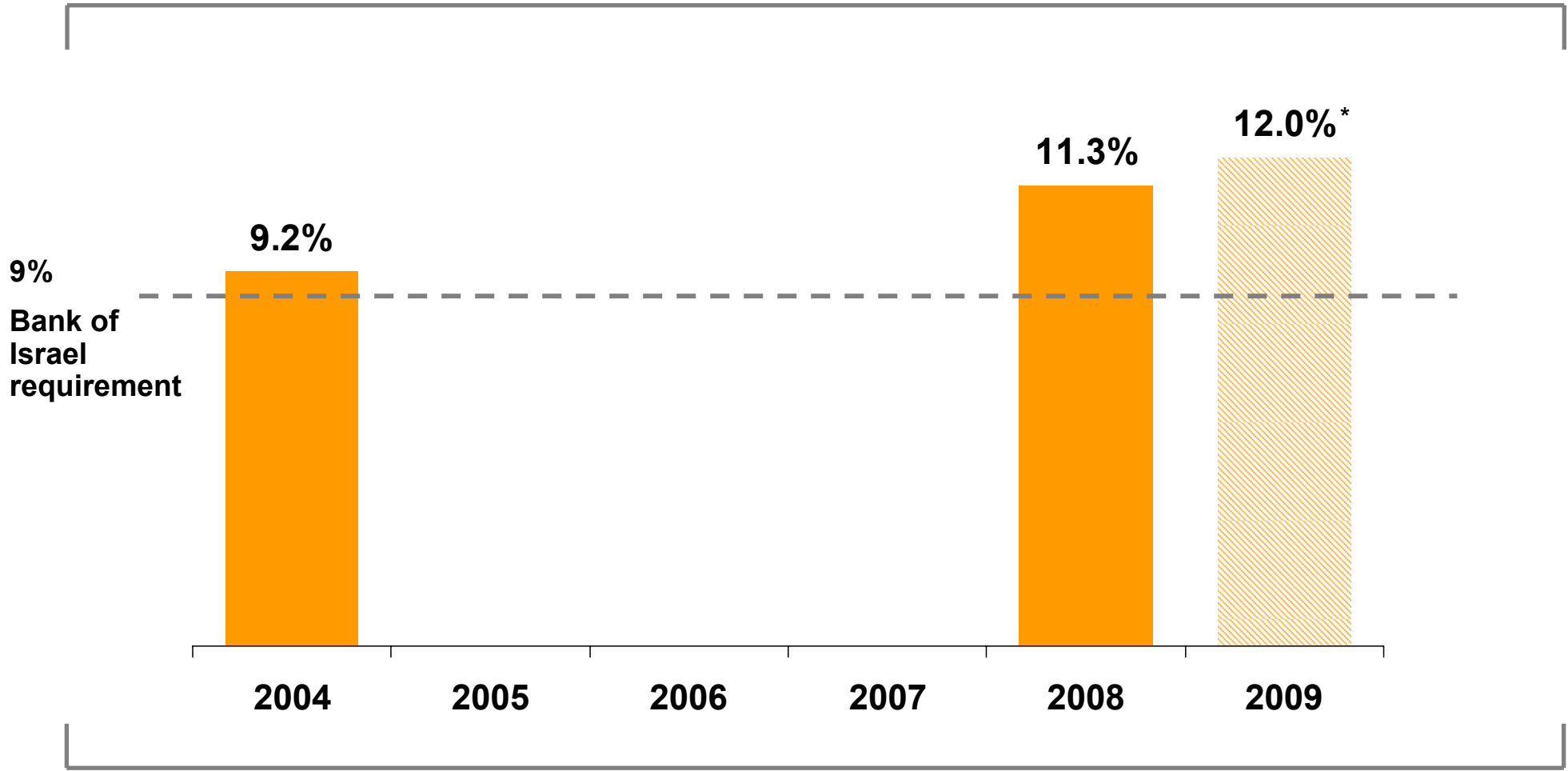
* Cost to income ratio – Non-interest expenses divided by total pre provision income and operational income

** Excluding Yahav, as at 31.12.08



Capital adequacy ratio

MIZRAHI TEFAHOT



* Target for end of 2009



Mizrahi Tefahot group 2008 main events

Purchase of Yahav Bank

An opportunity to improve the group's positioning in the retail market through focus on government employees, public sector and salaried employees

Launching Mizrahi Tefahot LIVE

A new era in communication between the bank and the client: a combination of personal and immediate banking. Communication with a personal banker through channels easily available to the client (Telephone, E-mail, Chat, SMS and video)

Adanim merger

The consolidation of Adanim mortgage activity in order to maximize synergies and efficiencies and utilize potential target accounts conversion and cross selling

"North" & "South" Funds

Offering business credit at special terms that provide added value throughout the North and the South of the country. An additional fund was recently established in co-operation with the Manufacturers association

Leading the Mortgage market

Mizrahi Tefahot reasserted its position as the leading and most professional bank in the Israeli mortgage market

Strengthening our brand

- Strengthening the brand of the Bank
- The leading bank at providing customer service experience (Survey by Marketest – 4.2.09)

Managers accounts

Personally tailored services for managers and preferred private clients

Investment centre

Professional one stop shop for every investment activity of the client



Purchase of control

The purchase of 50% of Bank Yahav's issued share capital was completed in July 2008

Branch network expansion

During 2008 Bank Yahav expanded its branch network by opening additional 20 branches

Broadening license scope

In January 2009 Bank Yahav's license was broadened in order to accommodate new activities and wider range of clients beyond public sector employees

Increasing number of customers

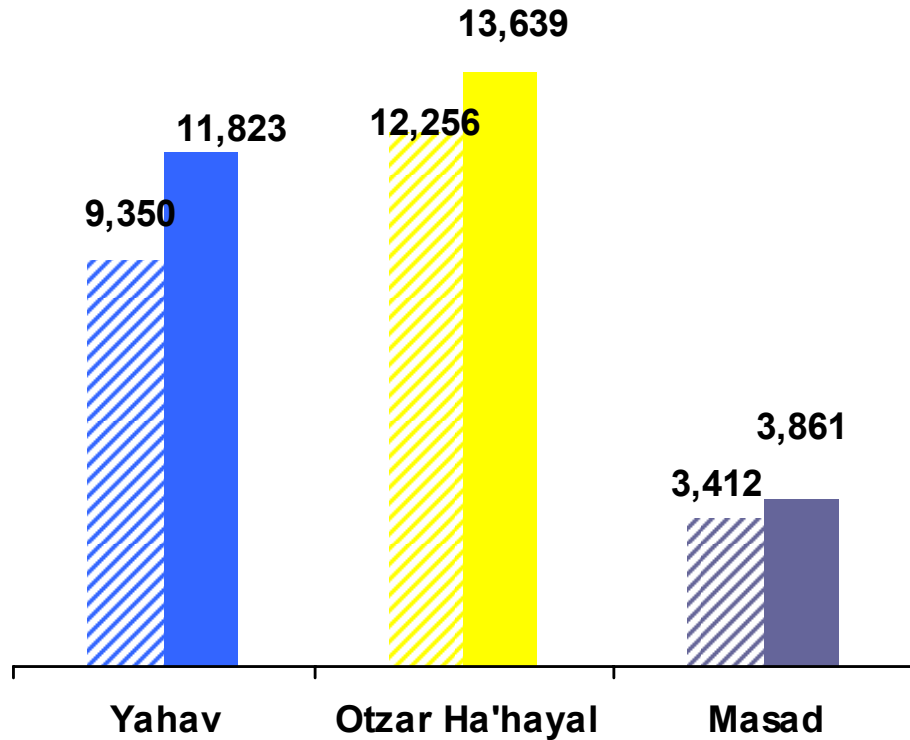
2008 witnessed a sharp rise in number of customers (net growth of ~10 thousand) and in the activity scope, despite fierce competition

Synergies

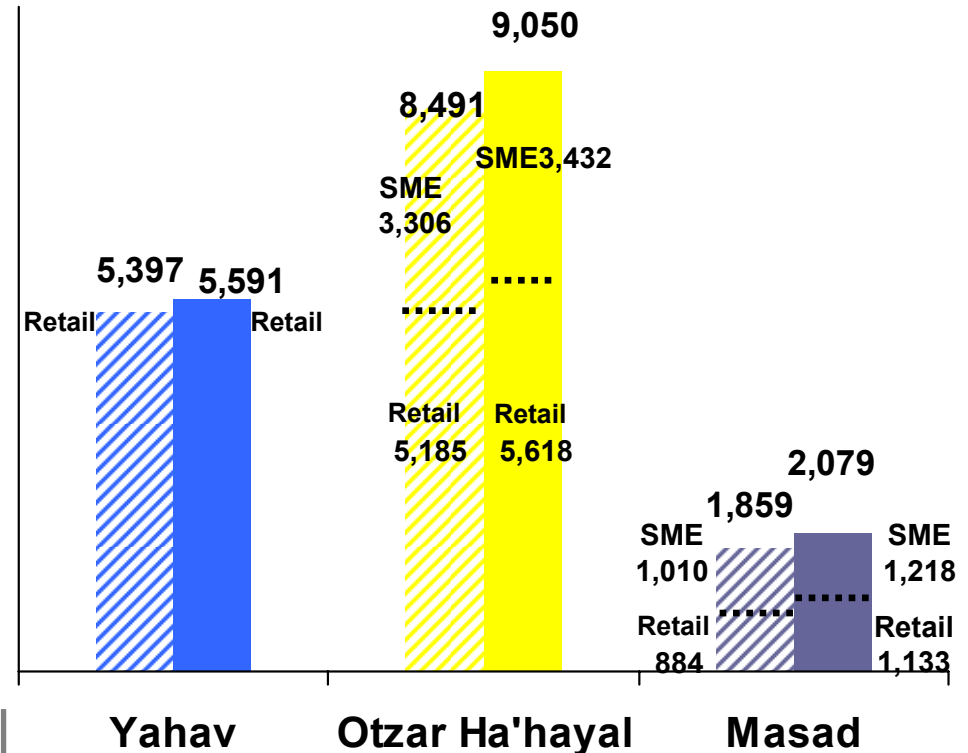
2 mortgages rep offices were launched in Yahav's branches during 2008 with 9 more planned during 2009

Bank Yahav, Bank Otzar Ha'hayal and Bank Masad Balance sheet comparison (NIS mil)



Total balance sheet assets



Credit to the public*

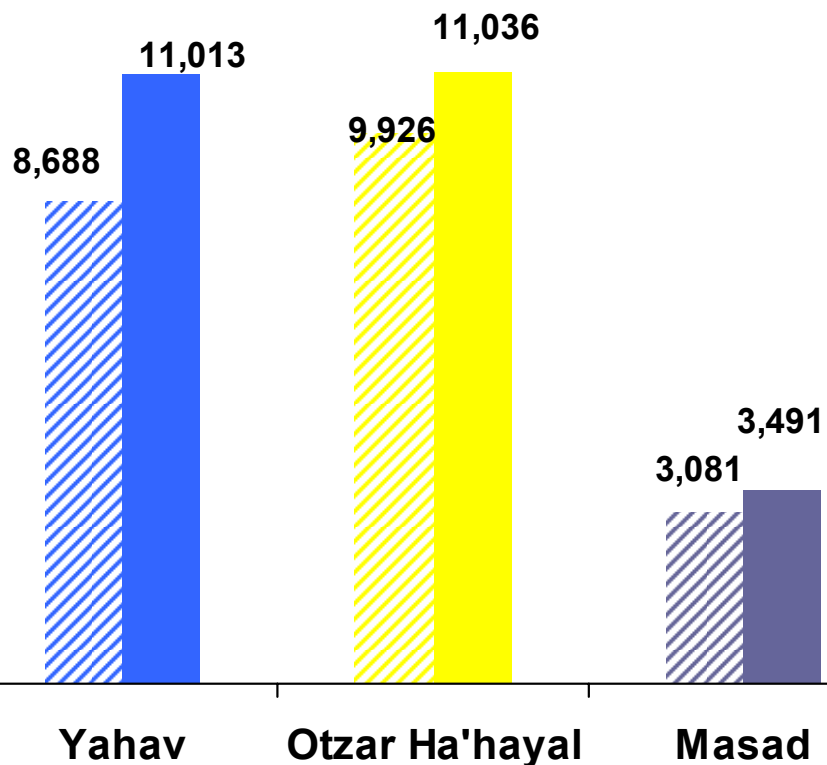


* including credit based on extent of collection

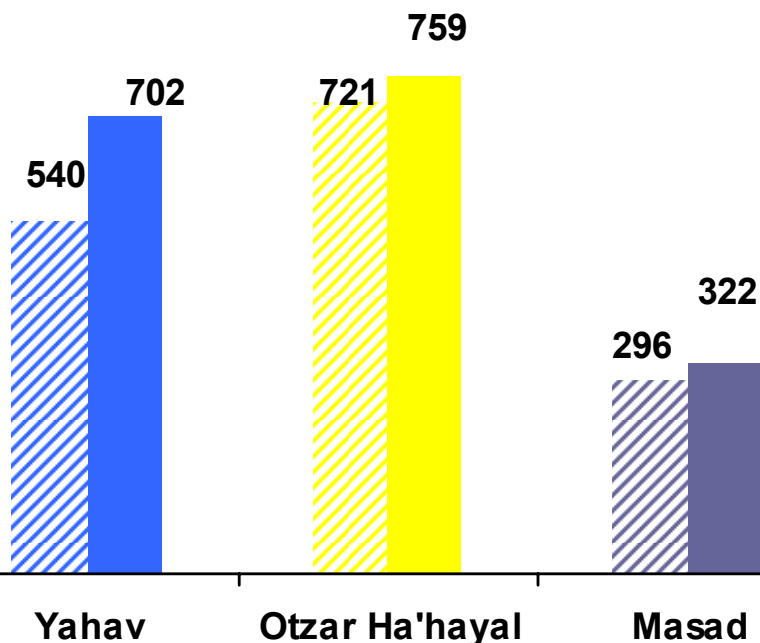
 31.12.2007
 31.12.2008

Bank Yahav, Bank Otzar Ha'hayal and Bank Masad Balance sheet comparison (NIS mil) cont.


Deposits from the public



Shareholders' Equity

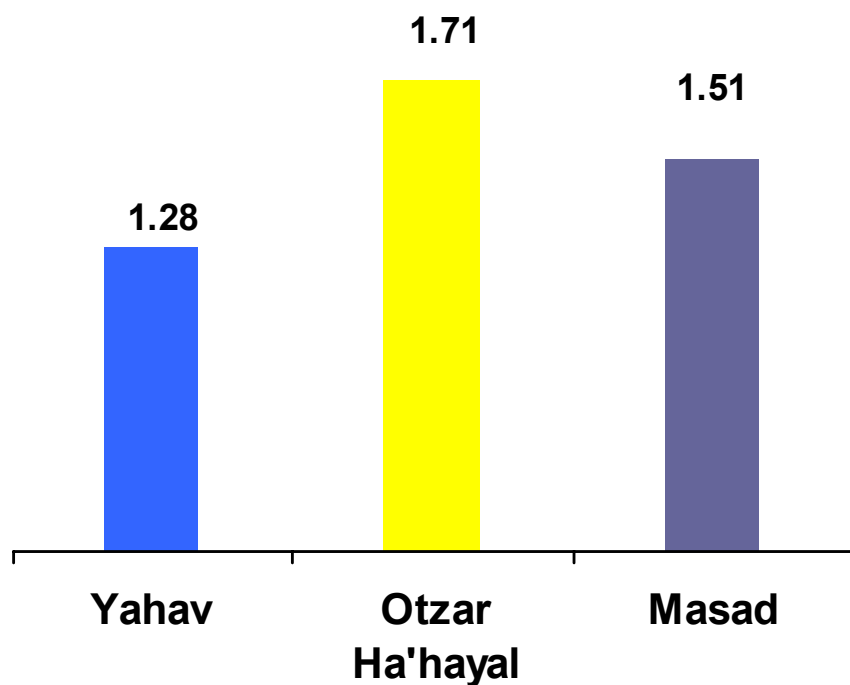


 31.12.2007

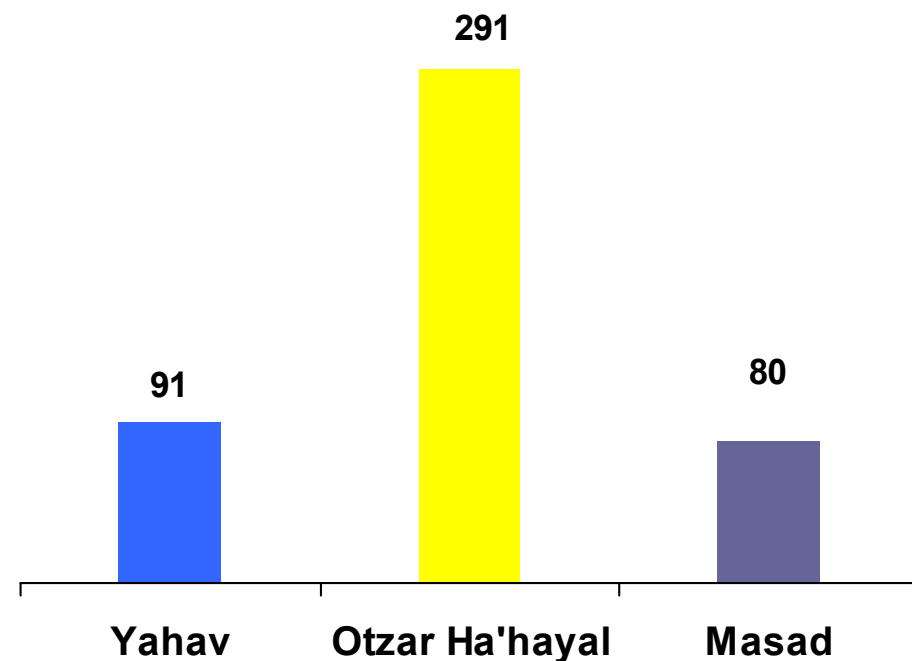
 31.12.2008

Bank Yahav, Bank Otzar Ha'hayal and Bank Masad Balance sheet comparison (NIS mil) cont.

Purchase to book ratio



Goodwill (NIS mil)





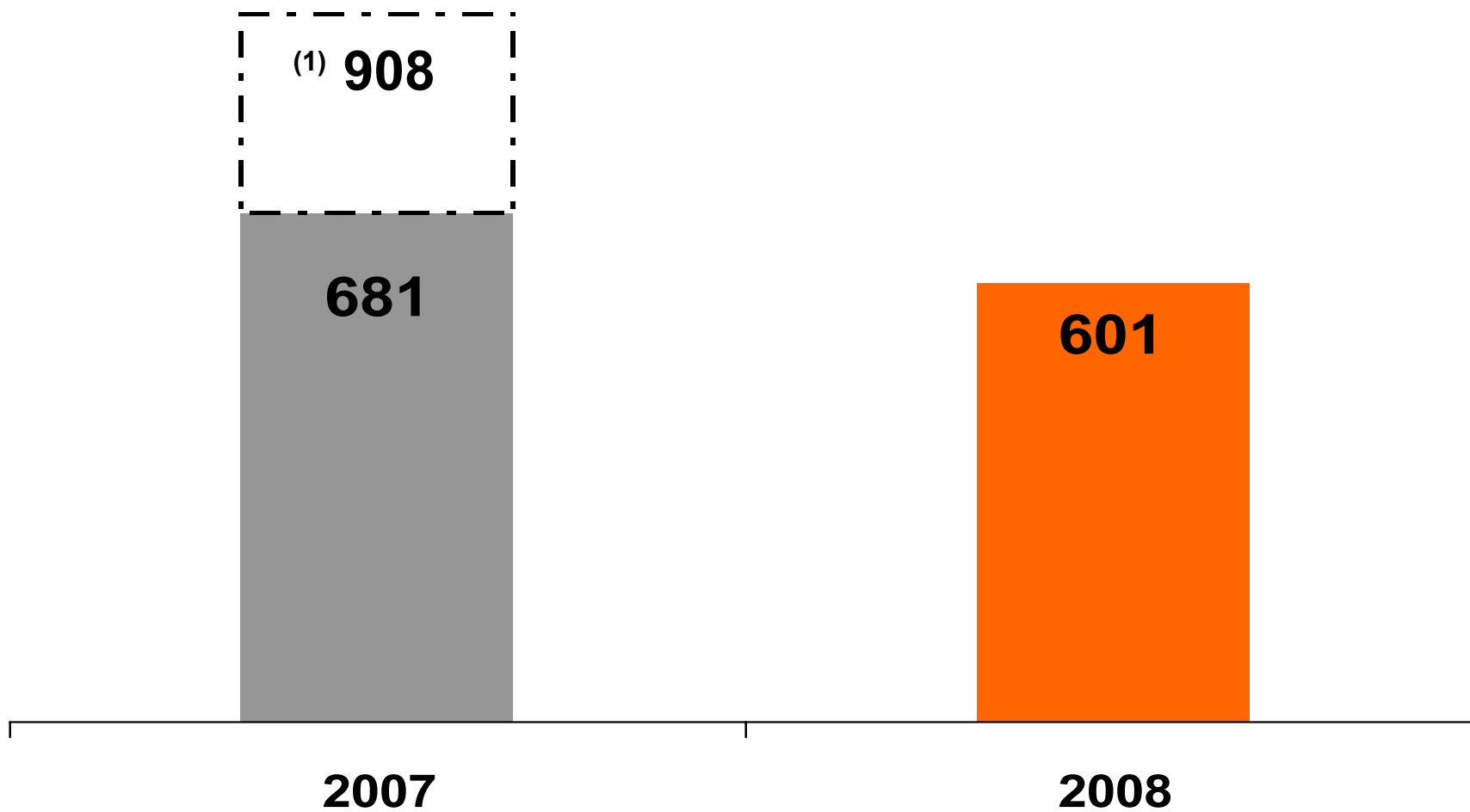
MIZRAHI TEFAHOT

Bank Yahav – Ha'kirya branch Tel Aviv





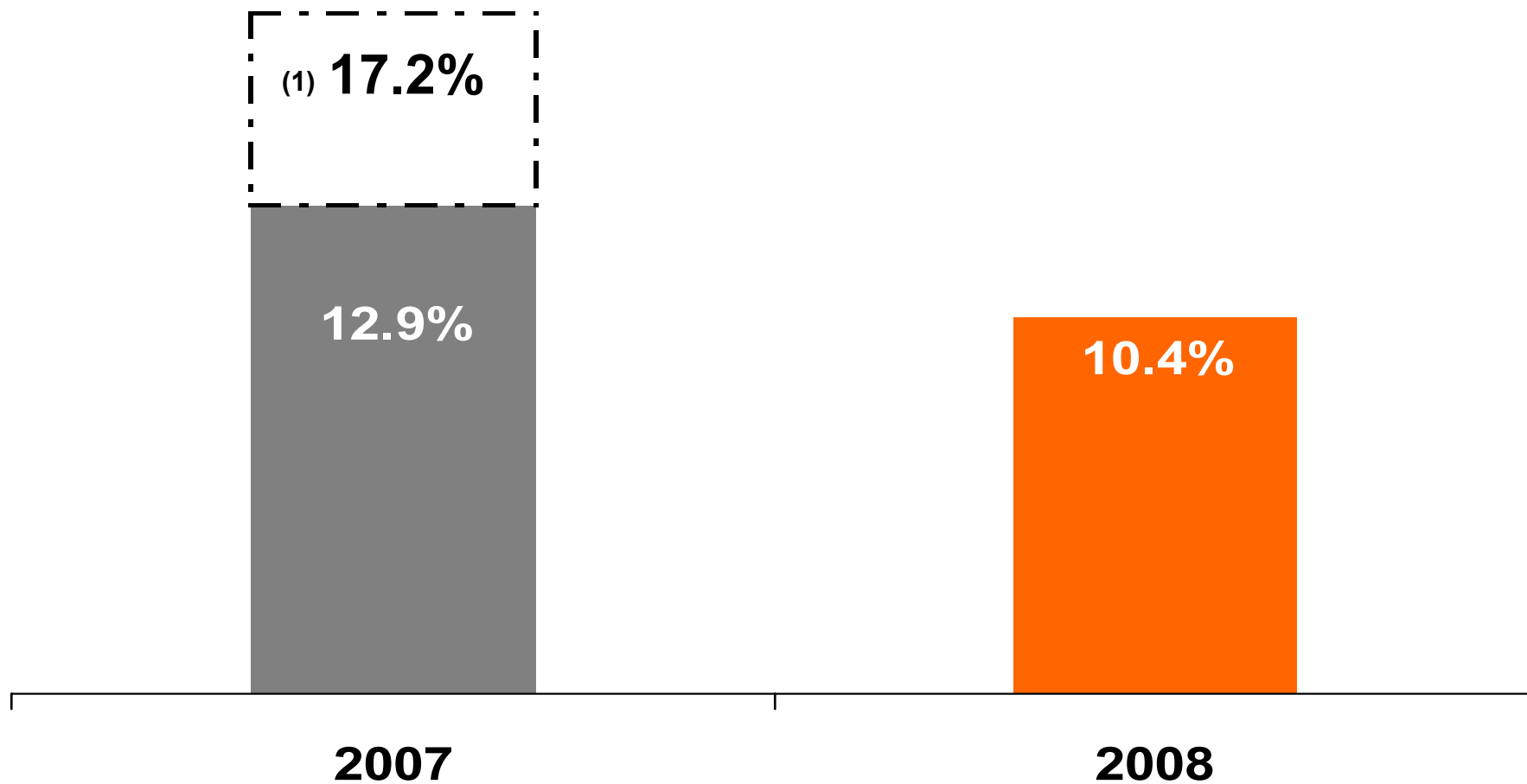
Net operating profit



(1) Including profit from sale of provident funds operations



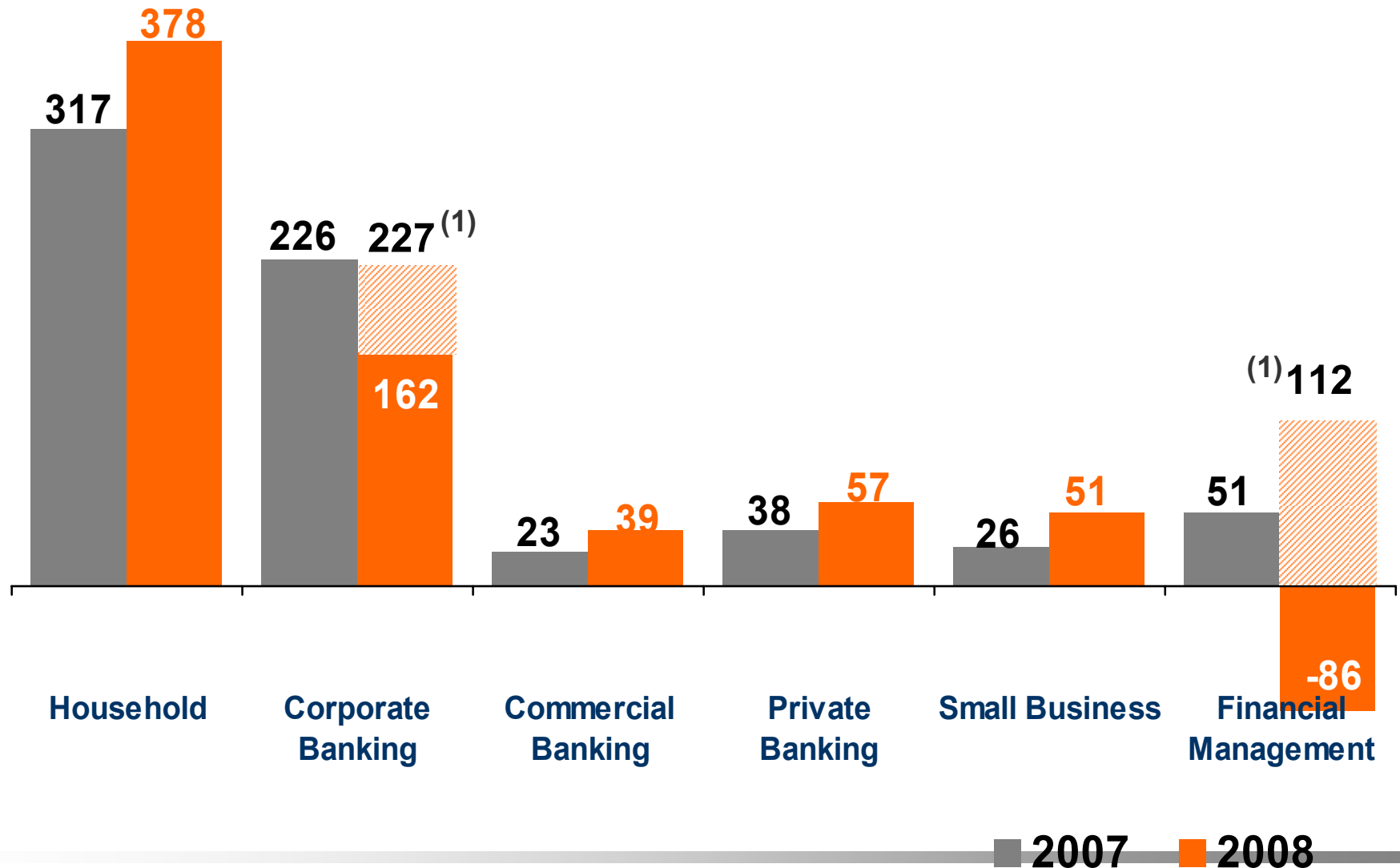
Return on equity - net operating profit



(1) Including profit from sale of provident funds operations



Profit by main operating segments



(1) Excluding financial crisis effects

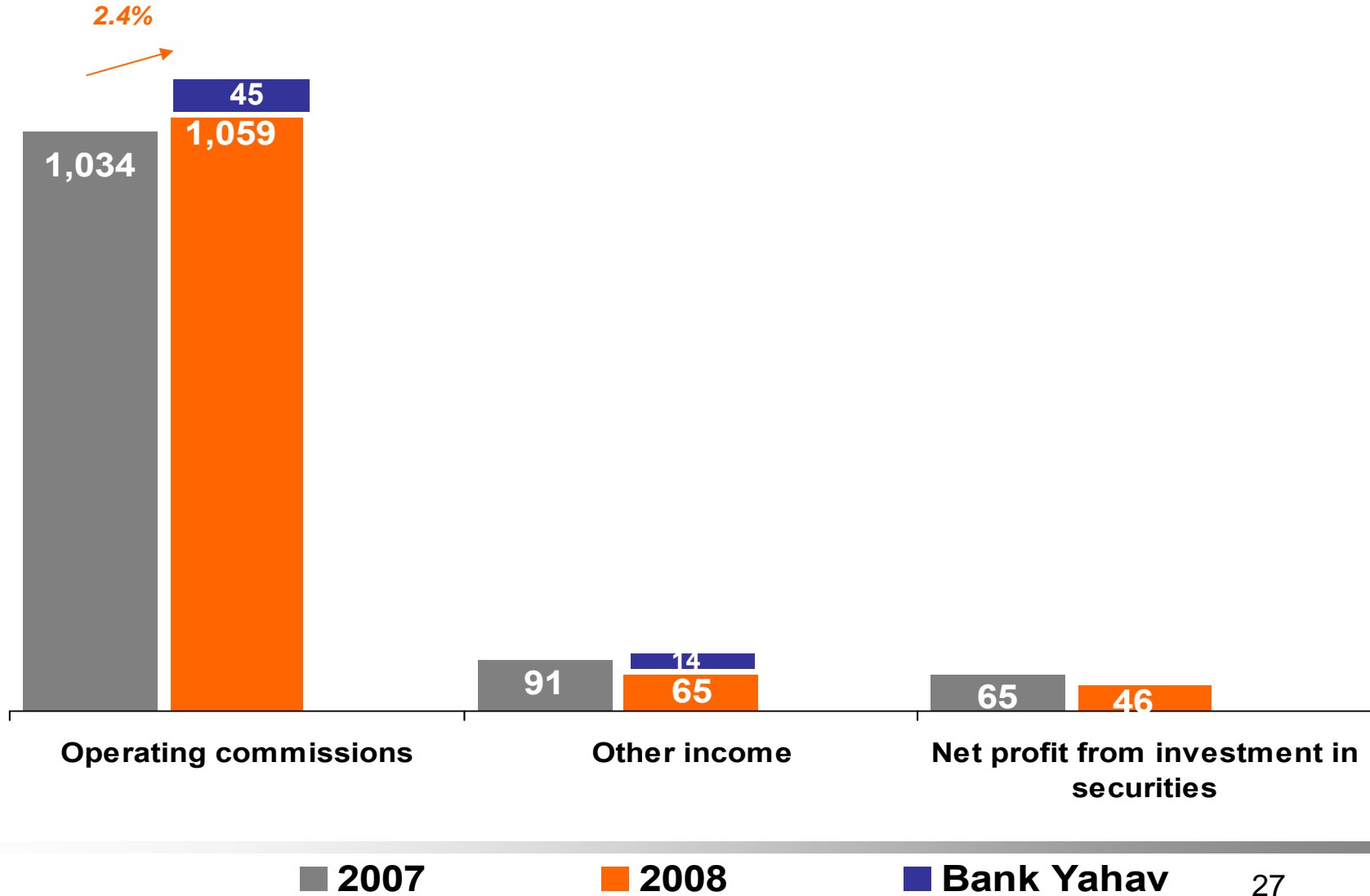


Profit from financing operations

	2008	2007	% change 2007 Vs 2008
Ongoing activities	2,183	1,988	9.8
Losses from realization of securities and provision for impairment	(197)	(90)	-
Interest income on problem loans	155	171	-
Fair values and others	7	(43)	-
Profit from Financing Operations	2,148	2,026	6.0
Bank Yahav consolidation for the first time	141	-	-
Total profit from financing operations including Bank Yahav	2,289	2,026	13.0

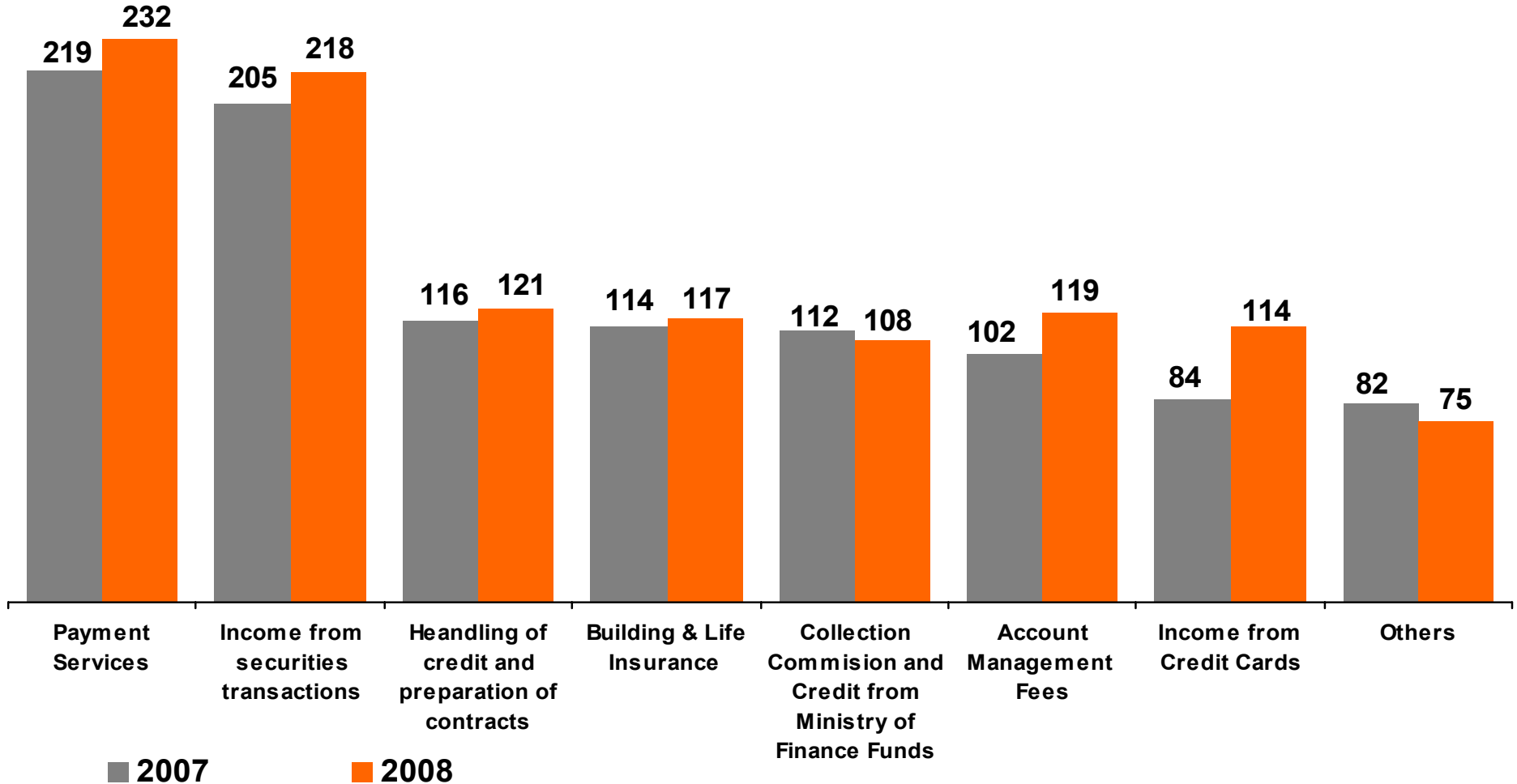


Operating and other income analysis



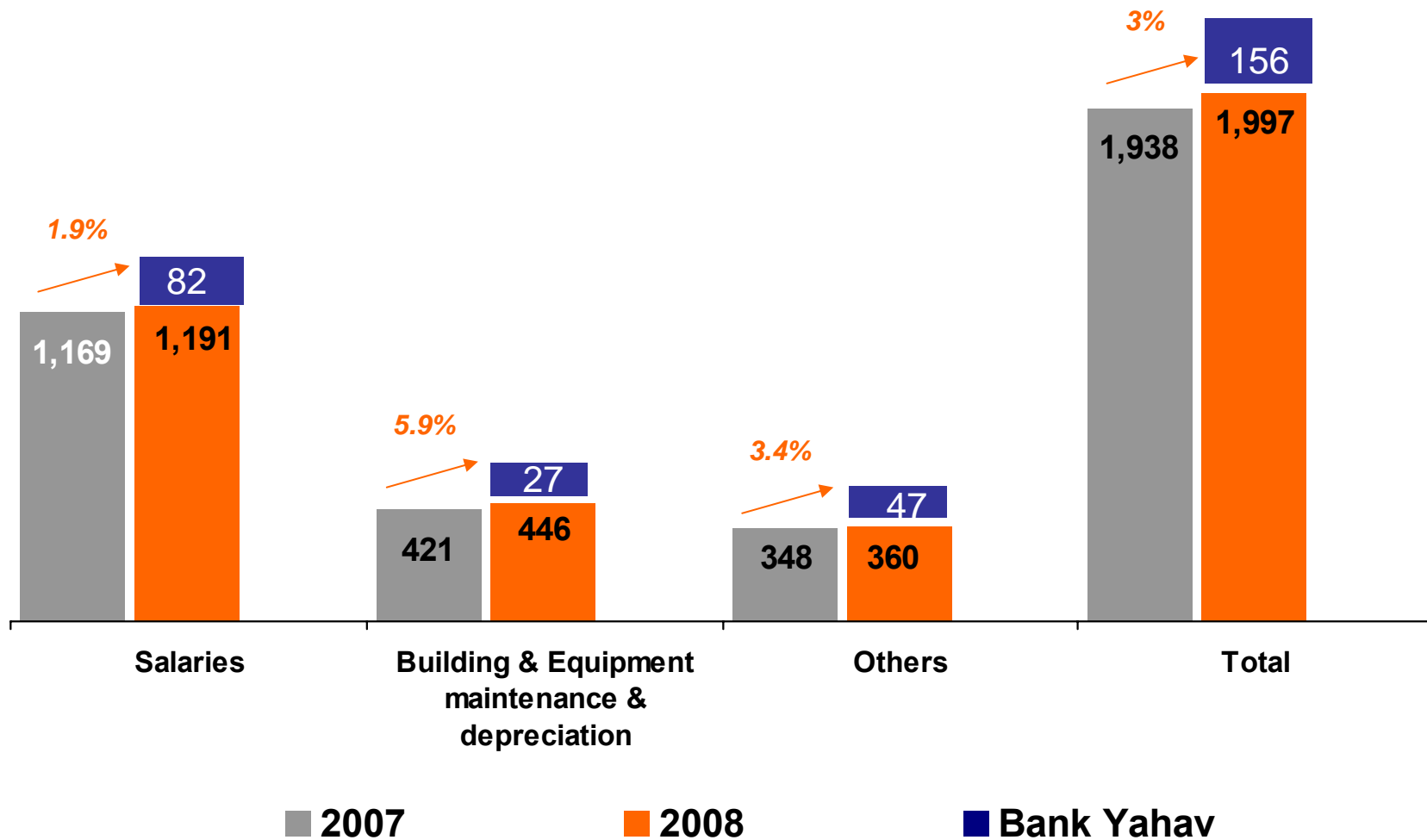


Operating commissions



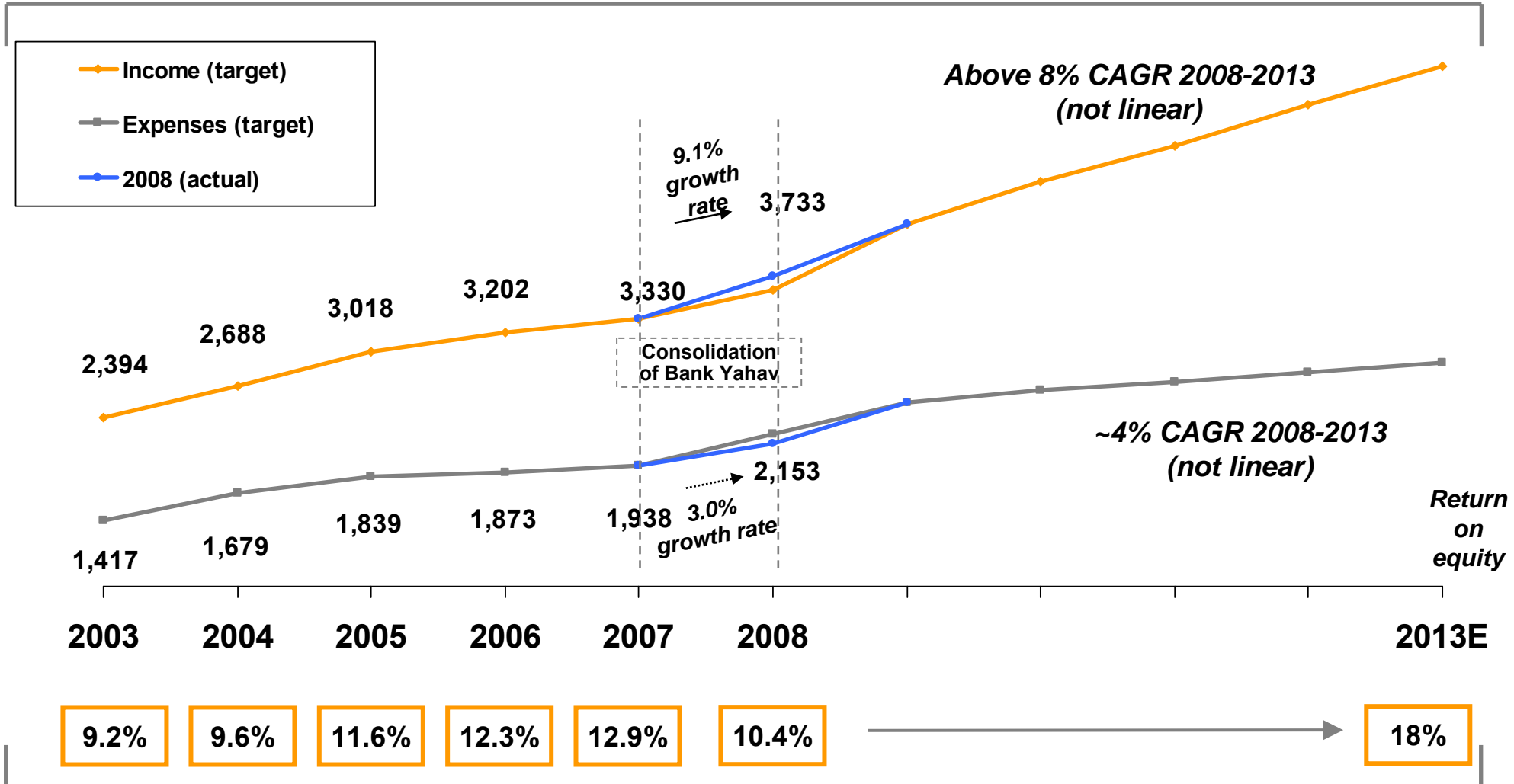


Operating and other expenses analysis



2008 income*, expenses and return on equity in view of the strategic plan for 2008-2013**

consolidated, before provision for doubtful debts,



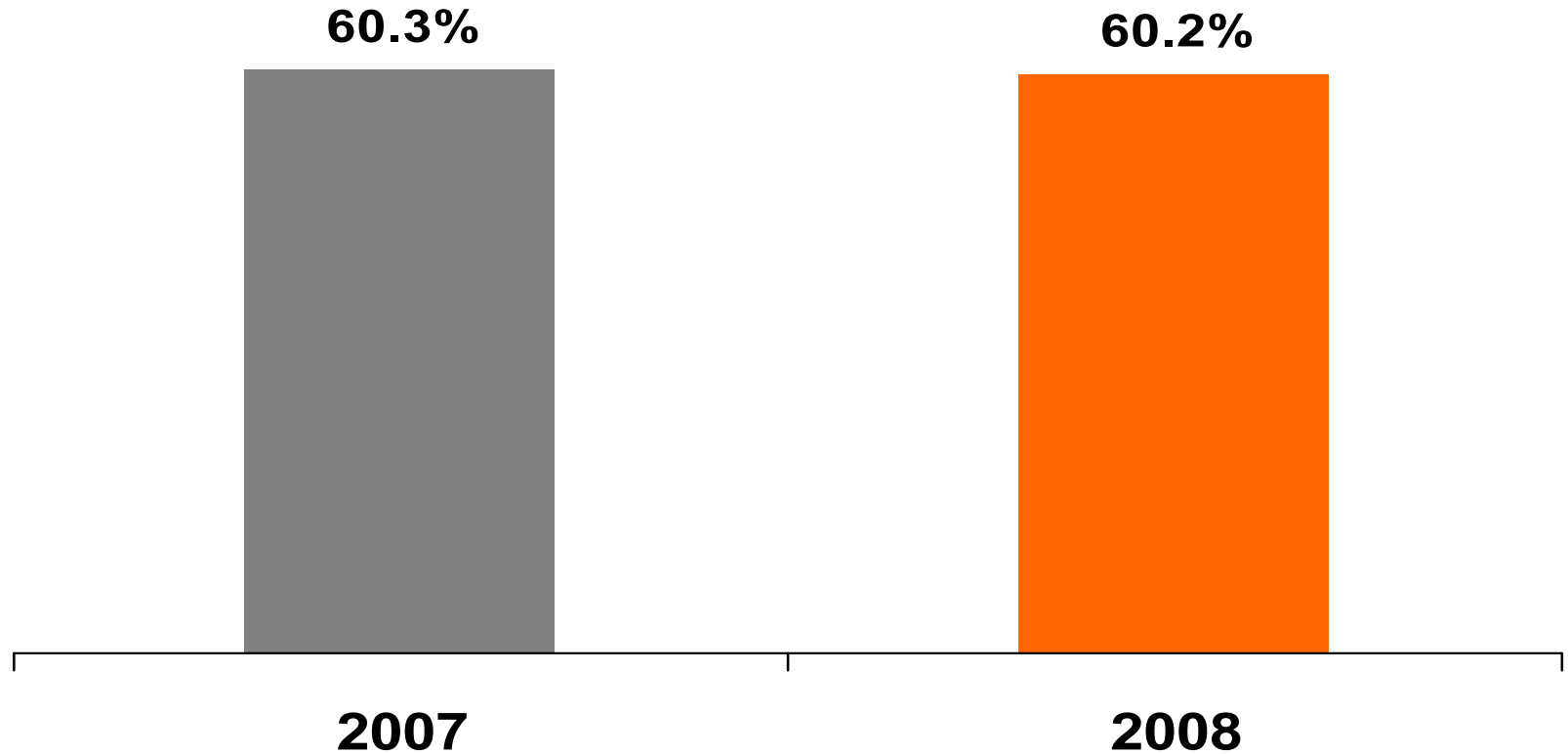
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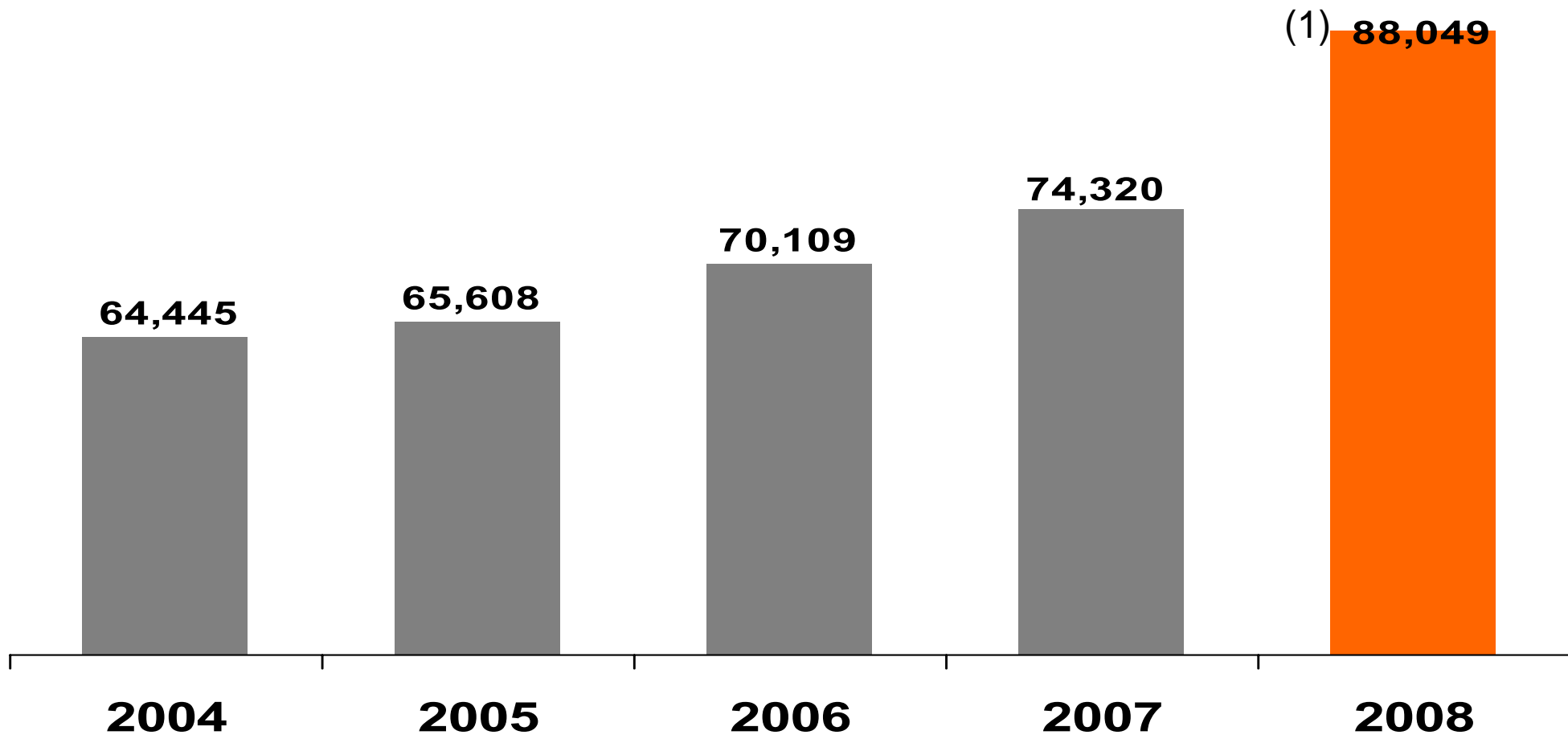
Cost/income ratio*



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



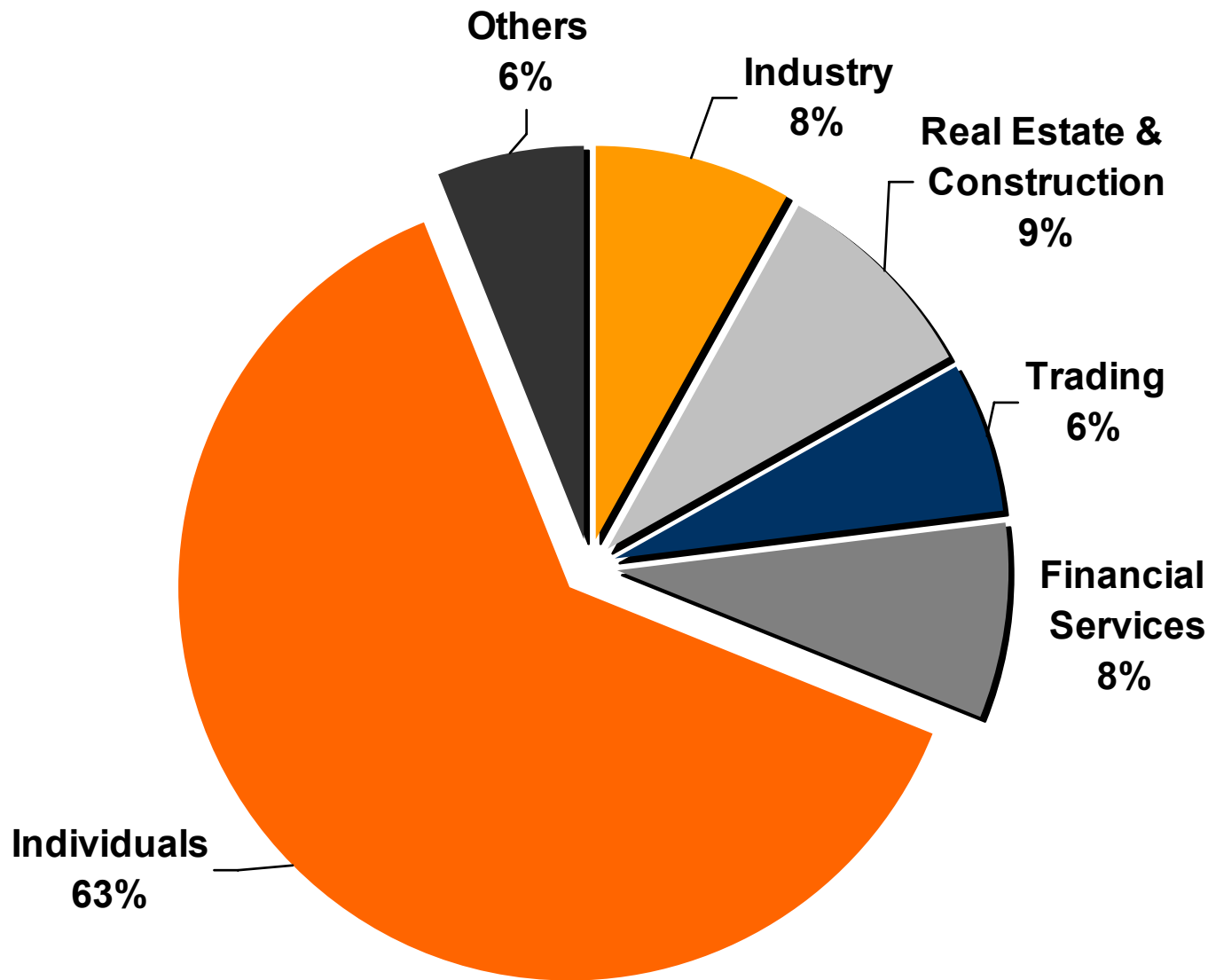
Loans to the public



(1) Including Bank Yahav NIS 3,823 mil



Loans to the public classified by economic sector



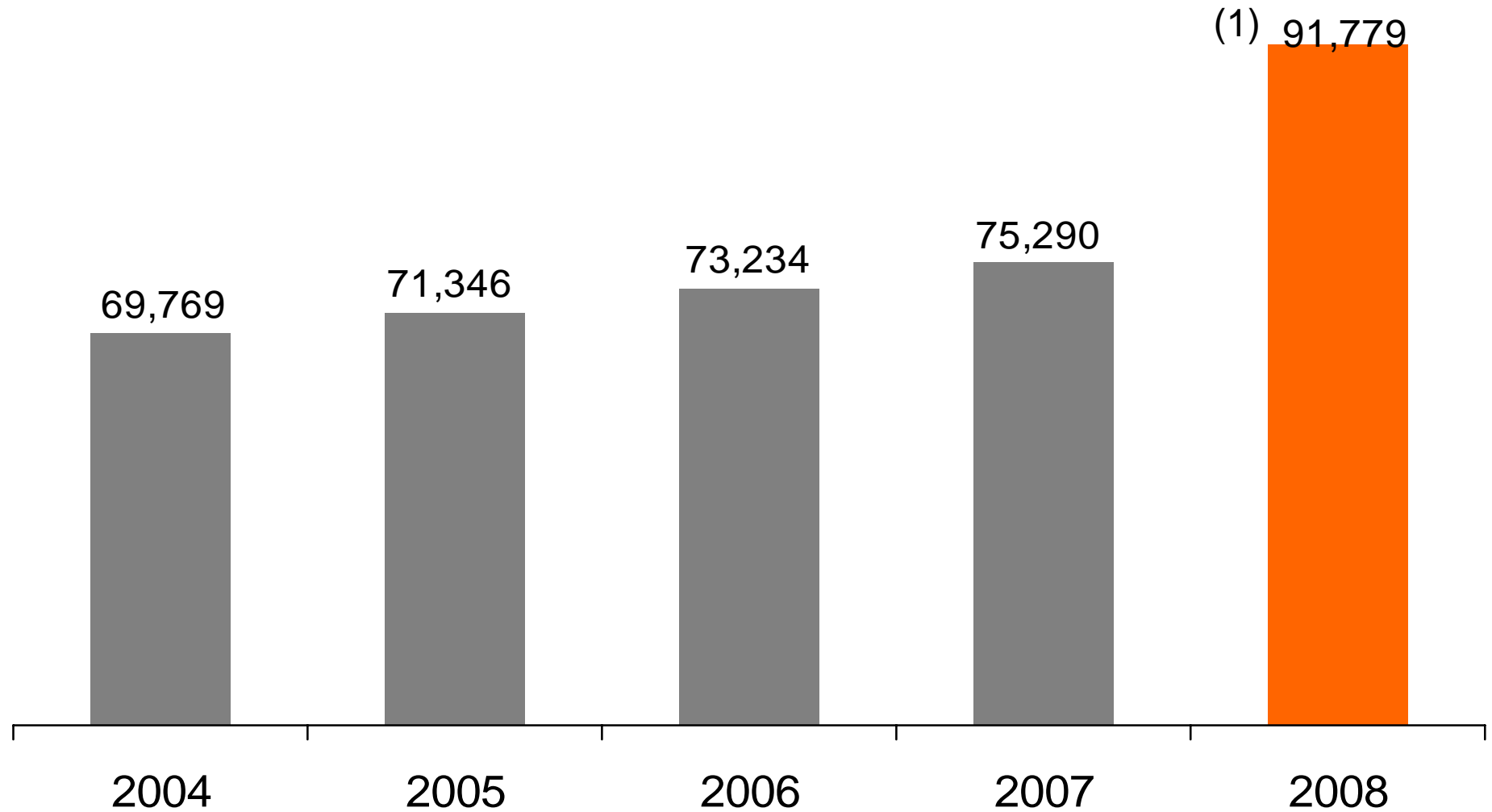


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Deposits from the public (NIS bil)



(1) Including Bank Yahav NIS 11,013 mil

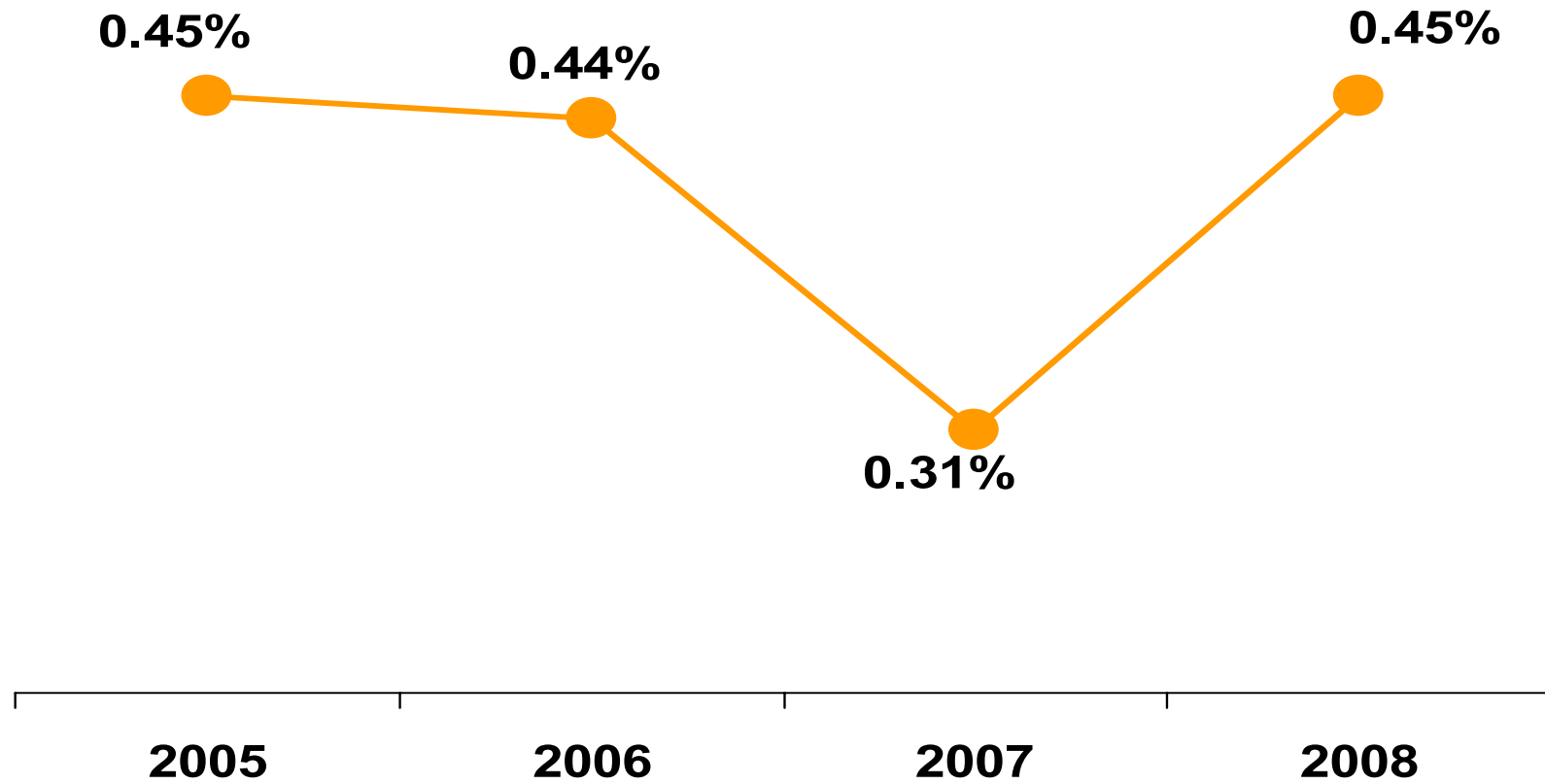


Provisions for doubtful debts (NIS mil)

	2008	2007	2006
Provision for Doubtful Debts	395	228	305
Provision for impairment on securities	215	114	-
Total Provisions	610	342	305

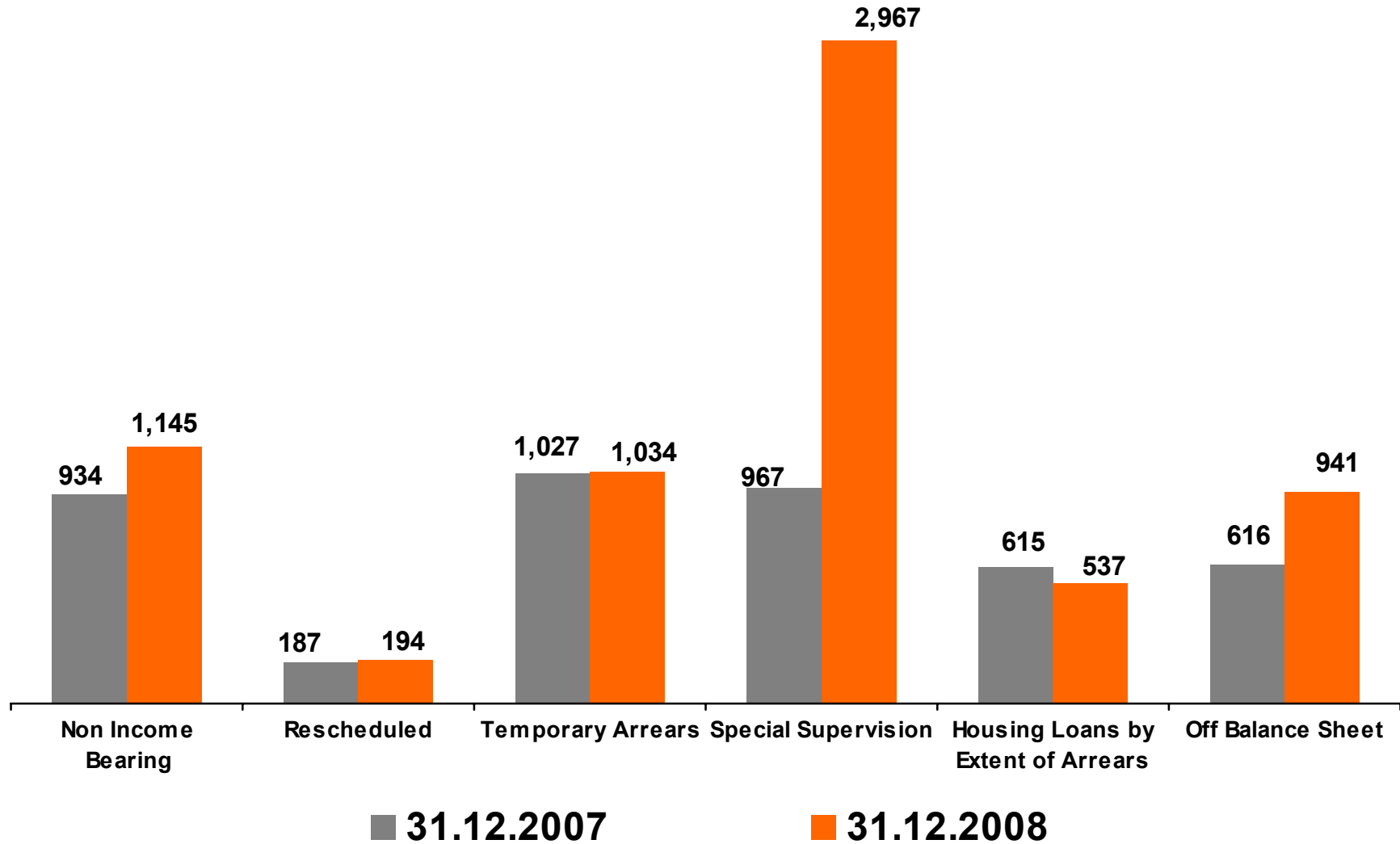


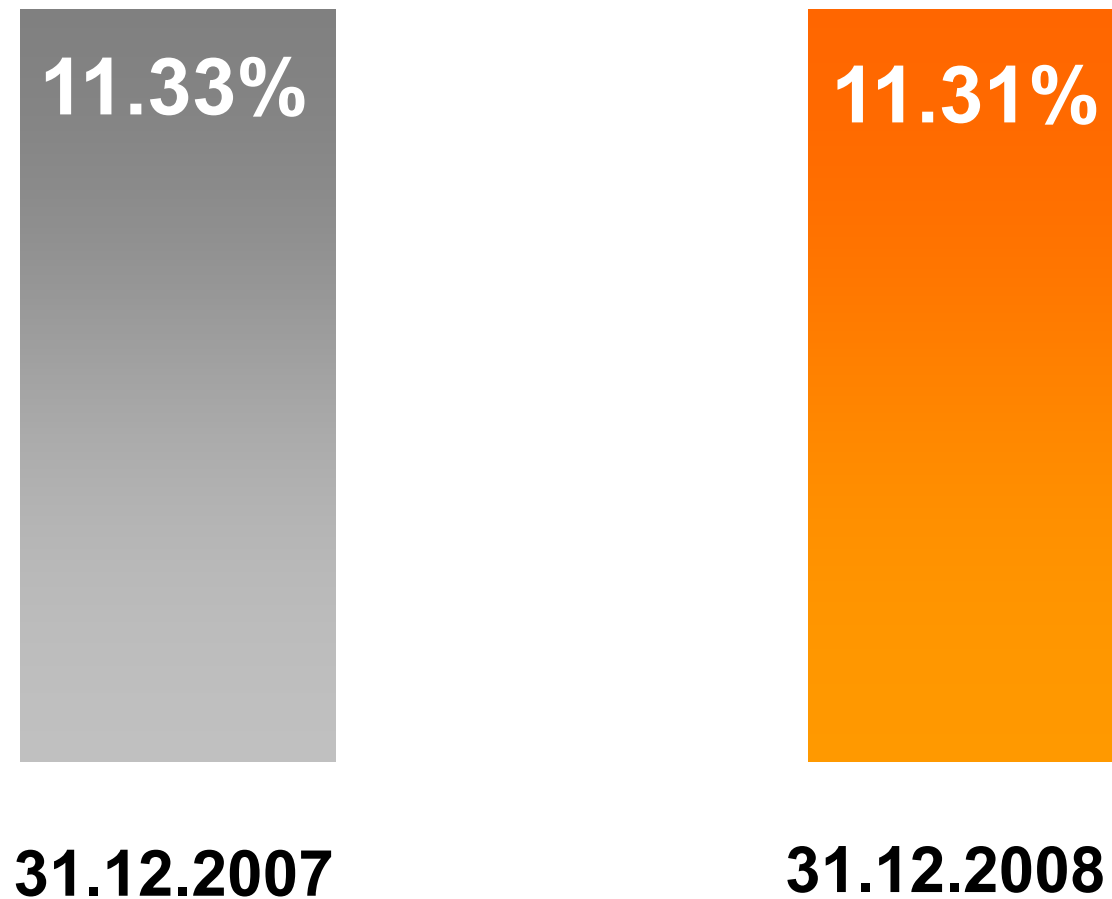
Provisions/loans to the public





Problem debts analysis







Equity (NIS bil)

