

August 29, 2017

Net profit in second quarter: NIS 400 million

Compared to NIS 340 million in the corresponding period last year

17.6% increase

Return on equity in the second quarter: 12.7%

Financing revenues from current operations: NIS 1,071 million

Compared to NIS 946 million in the corresponding period last year

13.2% increase

Loans to the public at the end of the quarter: NIS 177.1 billion

7.0% increase compared to June 30, 2016

Deposits from the public at the end of the quarter: NIS 180.7 billion

6.5% increase compared to June 30, 2016

Cost-income ratio for the second quarter: 56.3%

Ratio of Tier I capital to risk elements at end of quarter: **10.15%**

Dividend distribution of NIS 120 million

with respect to second quarter net profit

Return on equity at 12.7% with further increase in shareholder equity

As in previous quarters, the growth trend in the Bank's capital base continued in the second quarter of 2017. Shareholder equity for Bank Mizrahi-Tefahot at the end of the quarter stood at NIS 13.3 billion, an increase of 7.2% compared to the corresponding period last year, with an increase in the ratio of Tier I capital to risk elements to 10.15%.

Therefore, given the challenging macro-economic conditions including near-zero interest rates, the return on equity achieved by the Bank in the second quarter, 12.7%, is a notable achievement.

Growth in loans to households and to medium, small and micro businesses

The growth trend in loans to the public continued in the second quarter of 2017, with total loans extended by the Bank rising by 7.0% compared to the corresponding period last year.

Outstanding double-digit growth was posted in loans to household other than housing loans and loans to medium, small and micro businesses – which are at the core of the Bank's strategic plan and designated as one of the key growth engines for Mizrahi-Tefahot in coming years.

Retail non-housing loans at the end of the quarter amounted to NIS 19.8 billion – an increase of 12.9% over the corresponding period last year. Housing loans at the end of the second quarter reached NIS 117.6 billion, an increase of 6.9% compared to the year-ago period.

Loans to medium, small and micro businesses as of June 30, 2017 amounted to NIS 21.8 billion, with loans to small and micro businesses growing by 11.1% compared to the end of the second quarter of 2016, and loans to medium businesses growing by 19.0%.

Capital raised and co-operation with institutional investors continues

The significant trust accorded to Bank Mizrahi-Tefahot in the capital market allows the Bank to benefit from convenient, available access to financing sources for various terms according to Bank needs.

In the second quarter, the Bank issued debentures by extension of two existing series. In total, the Bank raised NIS 2.7 billion at attractive interest rates with strong demand from a long line of institutional investors.

The co-operation with institutional investors was also reflected by their continued sharing in syndication loans – allowing the Bank to lead very large financing transactions – as well as by selling shares or part of the risk in the Bank's loan portfolio in various segments.

Eldad Fresher: Record profit of NIS 400 million in the second quarter of this year reflects the continued growth of Mizrahi-Tefahot in various operating segments

"An impressive 17.6% growth in Bank profit in the second quarter, to a record NIS 400 million, reflects the continued growth by Mizrahi-Tefahot across its operating segments, in loans and in revenues, with consistent growth in the client base and further exposure to new audiences. The return on equity posted by the Bank in the second quarter – 12.7% – given a further 7.2% increase in the capital base compared to the corresponding period last year, is impressive in itself and even more so given the interest rate environment and implications of legislation and regulation.

The growth in Bank business is reflected both in 13.2% growth in financing revenues from current operations, reaching NIS 1,071 million in the second quarter, compared to NIS 946 million in the corresponding period last year, as well as in impressive growth in most balance sheet items.

Total Bank revenues in the second quarter increased by 7.8% to NIS 1.56 billion, compared to NIS 1.45 billion in the corresponding period last year, compared to 4.9% growth in expenses, from NIS 836 million in the second quarter of 2016 to NIS 877 million in the second quarter of this year – better than outlined in the strategic plan.

Concurrently, the Bank continues to become more efficient by re-organization of assets used by branches and headquarters units. In this area, the Bank sold and leased back the floors housing Bank management in Ramat Gan and concurrently started acting towards relocating its management headquarters to Lod.

This has allowed Mizrahi-Tefahot to post a high-quality cost-income ratio, even on an international scale, of 56.3% in the second quarter of 2017 – further improvement from 57.8% in the corresponding period last year.

The MOU signed with the employee union has made, for the first time, all employees and managers full partners in success and ensures their continued commitment to challenges faced by the Bank and to achievement of the multi-year plan, based on our distinct banking human strategy.

Higher Bank profit along with further increase in Tier I ratio to 10.15% at the end of the second quarter, allow us to continue implementation of the Bank's dividends policy and to share our profit with all shareholders. As decided by the Board of Directors, the Bank would distribute a dividend amounting to NIS 120 million - 30% of second quarter net profit. This is in addition to a dividend amounting to NIS 96.3 million distributed with respect to net profit in the first quarter of this year", said **Bank President & CEO Eldad Fresher**.

Mizrahi-Tefahot Ltd.

Highlights of condensed financial statements

As of June 30, 2017 – NIS in millions

Major balance sheet items

	June 30,		Rate of change
	2017	2016	in %
Loans to the public, net	177,133	165,515	7.0
Deposits from the public	180,680	169,621	6.5
Shareholder equity attributable to equity holders of the Bank	13,276	12,384	7.2
Balance sheet total	235,056	217,758	7.9

Profit and profitability

	Second Quarter		Rate of change
	2017	2016	in %
Total financing revenues before expenses with respect to credit losses	1,194	1,083	10.2
Commissions and other revenues	365	363	0.6
Total revenues	1,559	1,446	7.8
Expenses with respect to credit losses	42	57	–
Operating and other expenses	877	836	4.9
Net profit attributable to shareholders of the Bank	400	340	17.6

Key financial ratios (in percent)

	June 30,	
	2017	2016
Key performance benchmarks		
Net profit return on equity:		
For the second quarter	12.7	11.6
For the six months ended	11.4	10.6
Deposits from the public to loans to the public, net	102.0	102.5
Ratio of Tier I capital to risk elements	10.15	9.72
Total ratio of capital to risk elements	13.42	13.23
Leverage ratio	5.42	5.33
(Quarterly) liquidity coverage ratio	122	99
Cost-income ratio		
For the second quarter	56.3	57.8
For the six months ended	57.5	59.2
Key credit quality benchmarks		
Ratio of provision for credit losses to total loans to the public	0.82	0.84
Ratio of impaired debts or debts in arrears 90 days or longer to total loans to the public	0.89	1.11
Expenses with respect to credit losses to loans to the public, net for the period	0.09	0.14
Additional information		
Share price (in NIS) as of June 30	63.50	44.40
Quarterly dividends per share (in Agorot)	41.5	18.6