

May 15, 2017

**Net profit in first quarter: NIS 321 million**

Compared to NIS 288 million in the corresponding period last year

**11.5% growth**

**Shareholders' equity: More than NIS 13 billion**

Compared to NIS 12.1 billion in the corresponding period in 2016

**Return on equity: 10.4%**

Compared to 10.0% in the corresponding period and 10.2% for full year 2016

**Despite the aforementioned growth in shareholders' equity**

**Financing revenues (interest and non-interest): NIS 1,026 million**

Compared to NIS 827 million in the corresponding period

**24.1% increase**

**Financing revenues from current operations: NIS 1,047 million**

Compared to NIS 922 million in the corresponding period in 2016

**13.6% growth**

**Ratio of Tier I capital to risk elements: 10.12%**

Compared to 9.65% at the end of the corresponding period last year

**Cost-Income ratio: 59.0%**

**The Bank will distribute for the first time according to the strategic plan, a dividend of 30% of net profit for the first quarter - NIS 96.3 million**

## Growth in major balance sheet items

Continued growth and expansion of Bank operations are clearly reflected in development of major balance sheet items.

Total assets in the first quarter of 2017 amounted to NIS 234.1 billion – an increase of 8.0% over the corresponding period last year. Loans to the public in the first quarter grew to NIS 173.1 billion – an increase of 6.8% over the corresponding period last year. Deposits from the public amounted to NIS 180.7 billion – an increase of 9.5% over the corresponding period last year. Shareholder equity for the Bank continued to grow to more than NIS 13 billion – an increase of NIS 900 million, or 7.6%, over the corresponding period last year.

## Continued growth in loans to individuals and to small businesses

As noted above, total loans to the public in the first quarter of 2017 amounted to NIS 173.1 billion - an increase of 6.8% over the corresponding period last year. This quarter, as in previous quarters, the Bank posted highly impressive growth in loans to individuals, and to micro- and small businesses – two operating segments which are highly diversified and associated with relatively low risk. Loans to individuals saw growth in both components of household loans: Consumer (non-housing) loans grew by 11.8% compared to the corresponding period last year, while housing loans grew by 7.4%. Loans to micro- and small businesses increased by 8.9% compared to the corresponding period last year.

## Control over expenses

Operating and other expenses for the Group in the first quarter of 2017 were significantly impacted by deployment of the new computer system at Bank Yahav. Excluding these unusual expenses, which are partially non-recurring, the Bank continued to maintain expense discipline.

Total operating and other expenses for the Group in the first quarter amounted to NIS 823 million, higher by 5.6% compared to the corresponding period last year. Excluding Bank Yahav, operating and other expenses for the Bank increased by a moderate 2.7%.

Salaries and associated expenses for the Group in the first quarter of 2017 increased by 4.4% compared to the corresponding period last year. Excluding the effect of Bank Yahav, this item increased by 3.0%.

**Eldad Fresher: Results of the first quarter indicate further expansion of Bank business with growth in revenues, control over expenses and, consequently, higher profitability and dividends to be distributed to shareholders**

"Mizrahi Tefahot's business results for the first quarter of 2017, compared to the year-ago period, indicate further growth in Bank business, across all major parameters: financing revenues, revenues from current operations, loans and deposits as well as total assets. This resulted in an increase by 11.5% in net profit, to NIS 321 million, compared to NIS 288 million in the first quarter of 2016. Return on equity also improved to 10.4%, compared to 10.0% in the year-ago period and to 10.2% for all of 2016. This was concurrent with further increase in capital base which exceeded NIS 13 billion for the first time.

The impressive growth in financing revenues is reflected across all banking segments – individuals as well as businesses – most of which posted double-digit growth. Overall, financing revenues from individuals increased by 17.0% and for business banking operating segments, the average growth rate was close to 7.0%. Total revenues for the Bank in the first quarter of this year amounted to NIS 1.4 billion, an increase of 8.9% compared to the corresponding period last year – higher than the 6.8% growth rate for loans in this period.

Along with growth in revenues, the Bank continues to maintain control over expenses, resulting in an impressive cost-income ratio of 59.0%. Ratio of Tier I capital to risk elements at the end of the first quarter was 10.12%.

In the first quarter of 2017, the Bank launched its new strategic plan with a key objective of increased focus on business banking. Since the start of the year, the Bank took action in this direction, by enhancing service to businesses at branches and by preparing designated marketing plans. This is in addition to action designed to enhance the synergy between the Bank's three profit centers: business, retail and finance.

According to the strategic plan, the Bank decided to increase the dividend rate to be distributed to shareholders. As from the first quarter of 2017, the dividend rate would be increased from 15% to 30% of net profit every quarter. This means that the Bank will distribute to shareholders a NIS 96.3 million dividend with respect to profit in the first quarter of this year", said Bank President and CEO, Eldad Fresher.

**Mizrahi-Tefahot Ltd.**  
**Highlights of condensed financial statements**  
**As of March 31, 2017 – NIS in millions**

**Major balance sheet items**

	March 31,		Rate of change
	2017	2016	In %
Loans to the public, net	173,068	162,073	6.8
Deposits from the public	180,722	165,001	9.5
Shareholder equity attributable to equity holders of the Bank	13,015	12,098	7.6
Balance sheet total	234,071	216,809	8.0

**Profit and profitability**

	First Quarter		Rate of change
	2017	2016	In %
Total financing revenues before expenses with respect to credit losses	1,026	827	24.1
Commissions and other revenues	369	454	(18.7)
<b>Total revenues</b>	<b>1,395</b>	<b>1,281</b>	<b>8.9</b>
Expenses with respect to credit losses	49	3	–
Operating and other expenses	823	779	5.6
<b>Net profit attributable to shareholders of the Bank</b>	<b>321</b>	<b>288</b>	<b>11.5</b>

**Key financial ratios (in percent)**

	March 31,	
	2017	2016
<b>Key performance benchmarks</b>		
Net profit return on equity	10.4	10.0
Deposits from the public to loans to the public, net	104.0	102.0
Ratio of Tier I capital to risk elements	10.12	9.65
Total ratio of capital to risk elements	13.44	13.20
Leverage ratio	5.27	5.23
liquidity coverage ratio (Quarterly)	118	97
Cost income ratio	59.0	60.8
<b>Key credit quality benchmarks</b>		
Ratio of provision for credit losses to total loans to the public	0.84	0.84
Ratio of impaired debts or debts in arrears 90 days or longer to total loans to the public	0.95	1.09
Expenses with respect to credit losses to loans to the public, net for the period	0.12	0.01
<b>Additional information</b>		
Share price (in NIS) as of March 31	61.44	44.07
Dividends per share (in Agorot)	17.1	15.5