

March 21, 2017

Net profit in 2016: NIS 1,266 million
Compared to NIS 1,134 million in 2015
11.6% growth

Shareholders' equity: NIS 12,714 million
Compared to NIS 11,847 million in the corresponding period last year
7.3% growth

Tier I capital ratio as of December 31, 2016: 10.1%
Compared to 9.5% at end of previous year

Return on equity in 2016: 10.2%
Given the aforementioned growth in shareholders' equity
Compared to 10.0% return on equity in 2015

Financing revenues from current operations: NIS 3,876 million
Compared to NIS 3,510 million in 2015
10.4% increase

Cost-Income ratio: 58.5%
Compared to 59.8% in the previous year.

Dividend amounting to NIS 39.8 million to be distributed
with respect to fourth quarter earnings

Further increase in Mizrahi-Tefahot Group's market share

Mizrahi-Tefahot posted growth in all key balance sheet items in 2016: Balance sheet total amounted to over NIS 230 billion - an increase of 10.2% compared to 2015; loans to the public reached NIS 171.3 billion - an increase of 7.6%; and deposits from the public amounted to NIS 178.3 billion - an increase of 9.8% over the corresponding period.

Consequently, Mizrahi-Tefahot further increased its market share among the top 5 banking groups. According to data for the third quarter of 2016, the Bank Group share of deposits from the public reached 15.7%; as for loans to the public, Mizrahi-Tefahot Group accounts for 18.2% thereof.

Proactive management of Bank capital

In 2016, Mizrahi Tefahot took a proactive approach to management of its capital, in close co-operation with institutional investors.

In this regard, the Bank engaged in multiple transactions to sell loans to capital market players. In June and September 2016, *inter alia*, the Bank signed transactions with institutional investors who acquired 80% of two mortgage portfolios, with a total monetary value of nearly NIS 1.8 billion. In both cases, the Bank continues to manage and operate the portfolio on behalf of the buyers.

In addition, in December 2016, the Bank obtained an insurance policy to cover credit exposure with respect to Sales Act guarantees. This insurance policy covers 80% of guarantees amounting to NIS 15.5 billion.

This step, as well as co-operation with institutional investors, reduced the Bank's risk assets by billions of NIS – which allowed the Bank to free up capital for growth and expansion of its business.

Continuous expansion and growth from multi-year view point

The Bank's financial results in 2016 reflect growth and expansion, not only compared to the previous year but also from the multi-year view point.

Between 2012-2016, total assets grew annually by 9.2%, loans to the public grew by 7.4% and deposits from the public grew by 8.6%, on average.

Despite a 46% increase in the Bank's capital base: from NIS 8.7 billion in 2012, to NIS 12.7 billion in 2016 – average annual growth by 9.9%, the Bank managed to present double-digit return on equity throughout the past five years. Cumulative dividends over this period amounted to NIS 347.3 million.

Eldad Fresher: The 2016 financial results reflect continued growth momentum at the Bank with growth in revenues, net profit and market share of the Bank

"Mizrahi-Tefahot's successful continued growth in 2016 in revenues, in net profit and in market share, given the challenging macro-economic conditions of interest rate close to 0% and an annual decrease of 0.3% in the ("known") Consumer Price Index - are indications of the Bank's robustness and of the quality of its staff and management. Revenues (from financing operations, from commissions and other revenues) exceeded NIS 5.6 billion and net profit rose to a new annual record of NIS 1.27 billion – with double-digit return on equity, higher than in 2015. This was despite a 7.3% increase in the Bank's capital base.

Mizrahi-Tefahot's growth strategy was also reflected in 2016, *inter alia*, in continued expansion of the branch network from 177 to 184 branches and affiliates – with two new branches opened, this year as well, in the Arab sector, in recruiting tens of thousands of new clients - households and businesses, in expanding the service-oriented staff at branches and at the banking center, in growth in Group market share in loans and deposits, in maintaining the Bank's leadership position in the mortgage market and in development of advanced tools to improve the service experience for Bank clients.

This resulted in growth across all key balance sheet items: Thus, for example, deposits from the public in 2016 amounted to NIS 178.3 billion, compared to NIS 162.4 billion in 2015 – an increase by 9.8%. The Bank's loan portfolio grew by 7.6%, with notable growth in loans to micro- and small businesses, which grew by 8.7% and loans to households (excluding housing), which jumped by 12.4%. At year end, the Tier I capital ratio reached 10.1%, whereby the Bank surpassed the regulatory targets for all three benchmarks: Tier I capital ratio, leverage ratio and liquidity coverage ratio (LCR).

Along with continued revenue growth, Mizrahi-Tefahot continues to maintain control over expenses. Operating and other expenses in 2016 amounted to NIS 3.3 billion, compared to slightly over NIS 3.2 billion – a moderate increase by 2.3%. This resulted in improvement to the cost-income ratio, which at year end reached 58.5% – a strong ratio even by international standards.

Thanks to growth in new profit and to increase in Tier I capital ratio, the Bank would distribute a dividend amounting to NIS 39.8 million – or 15% of net profit in the fourth quarter. Thus, total dividends distributed in 2016 would reach NIS 186.2 million. According to approval from the Bank of Israel, as from the first quarter of 2017, the Bank may increase its dividend distribution to 30% of net profit", said **Bank President & CEO, Eldad Fresher**.

Mizrahi-Tefahot Ltd.
Highlights of financial statements
As of December 31, 2016 - NIS in millions

Major balance sheet items

	December 31, Rate of change		
	2016	2015	In %
Loans to the public, net	171,341	159,204	7.6
Deposits from the public	178,252	162,380	9.8
Shareholder equity attributable to equity holders of the Bank	12,714	11,847	7.3
Balance sheet total	230,455	209,158	10.2

Profit and profitability

	All of Rate of change		
	2016	2015	In %
Total financing revenues before expenses with respect to credit losses	4,073	3,892	4.7
Commissions and other revenues	1,567	1,500	4.5
Total revenues	5,640	5,392	4.6
Expenses with respect to credit losses	200	211	(5.2)
Operating and other expenses	3,299	3,226	2.3
Net profit attributable to shareholders of the Bank	1,266	1,134	11.6

Key financial ratios (in percent)

	December 31,	
	2016	2015
Key performance benchmarks		
Net profit return on equity	10.2	10.0
Deposits from the public to loans to the public, net	104.0	102.0
Ratio of Tier I capital to risk elements	10.10	9.50
Total ratio of capital to risk elements	13.80	13.29
Leverage ratio	5.27	5.32
(Quarterly) liquidity coverage ratio	117	91
Cost income ratio	58.5	59.8

Key credit quality benchmarks

Ratio of provision for credit losses to total loans to the public	0.83	0.87
Ratio of impaired debt or debt in arrears 90 days or longer to total loans to the public	0.98	1.14

Additional information

Share price (in NIS) as of December 31	56.35	46.50
Dividends per share (in Agorot)	80	37