

August 10, 2016

Net profit in the second quarter of this year: NIS 340 million
Compared to NIS 330 million in the corresponding period last year
3.0% growth

Return on equity in the second quarter: 11.6%

Financing revenues from current operations in the second quarter: NIS 959 million
Compared to NIS 848 million in the corresponding period last year
13.1% growth

Loans to the public at the end of the quarter: NIS 165.5 billion
An increase of 8.7% compared to June 30, 2015

Deposits from the public at the end of the quarter: NIS 169.6 billion
An increase of 10.3% compared to June 30, 2015

Cost-Income ratio for the second quarter: 57.8%

Ratio of Tier I capital to risk elements at end of quarter: 9.72%

Dividend amounting to NIS 51 million to be distributed
with respect to second quarter earnings

Return on equity at 11.6% with further growth in shareholder equity

As in previous quarters, the growth trend in the Bank's capital base continued in the second quarter of 2016. At the end of the quarter, shareholder equity for Mizrahi-Tefahot amounted to NIS 12.4 billion, an increase by 9.9% over the corresponding period last year, along with an increase by 9.72% in the ratio of Tier I capital to risk elements.

Therefore - and given the challenging macro-economic conditions, including the near-zero interest rates and continued economic slow-down - the Bank's return in the second quarter of 11.6% is a notable achievement.

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

The growth trend in loans to the public continued in the second quarter of 2016, with total loans at the Bank growing by 8.7% over the corresponding period last year.

Growth was most notable in loans to households and to micro, small and medium businesses - segments which are associated with higher diversification and lower risk.

Retail non-housing loans at the end of the quarter amounted to NIS 18.0 billion - an increase of 10.0% over the corresponding period last year. Housing loans at the end of the second quarter of this year amounted to NIS 110.0 billion - an increase of 10.0% over the corresponding period last year.

Loans to micro, small and medium businesses as of June 30, 2016 amounted to NIS 19.5 billion; compared to June 30, 2015, loans to micro and small businesses increased by 6.7% and loans to medium businesses increased by 6.9%.

Continued co-operation with institutional investors

The Bank continued its co-operation with institutional investors in the second quarter of 2016. Thus, for example, Mizrahi-Tefahot signed an agreement to sell part of a mortgage portfolio amounting to NIS 880 million to an institutional investor.

This was further to previous transactions by the Bank with institutional investors - both through syndicated loans - a move which allows the Bank to lead very large financing transactions - and through selling part of the Bank's loan portfolio in various segments.

This co-operation with institutional investors allows Mizrahi-Tefahot to implement its growth and expansion strategy while achieving regulatory capital adequacy targets.

Eldad Fresher: Record profit of NIS 340 million in the second quarter of this year reflects further growth of various operating segments at Mizrahi-Tefahot

"Record profit amounting to NIS 340 million in the second quarter reflects the fact that Mizrahi-Tefahot continued to grow its range of operating segments, with consistent growth in its customer base as well as in branch presence and service-oriented staff - which is opposed to the current trend in the banking system. The Bank's reported return on equity for this quarter, at 11.6%, is a notable positive, given the expansion of the capital base by 10.0% compared to the corresponding period last year and given the near-zero interest rate and implications of regulatory measures on Bank operations in various areas.

Growth of Bank business is also reflected by an increase by 13.1% in financing revenues from current operations, which amounted to NIS 959 million in the second quarter, compared to NIS 848 million in the corresponding period last year, as well as by development of balance sheet items. Thus, for example, total assets at the end of the second quarter amounted to NIS 217.7 billion, an increase of 7.9% over the corresponding period last year; loans to the public amounted to NIS 165.5 billion, compared to NIS 152.3 billion in the corresponding period last year, an increase of 8.7%; deposits from the public increased by 10.3%, amounting to NIS 169.6 billion, compared to NIS 153.7 billion in the second quarter of 2015.

Concurrently, the Bank continues to show restraint on the expense side, with operating and other expenses in the second quarter of 2016 amounting to NIS 836 million, compared to NIS 825 million in the corresponding period last year - an increase of only 1.3%.

Mizrahi-Tefahot continues to post a high-quality Cost Income Ratio over time - by the international scale, too - which in the second quarter of 2016 was at 57.8%.

Growth in Bank profit, along with further improvement in the Tier I capital ratio to 9.72% at the end of the second quarter, allows us to further implement the Bank's dividend policy. According to the resolution by the Bank Board of Directors, the Bank would distribute a dividend amounting to NIS 51 million out of the second quarter earnings. This is in addition to a dividend amounting to NIS 43.2 million distributed with respect to earnings in the first quarter of this year.

Mizrahi-Tefahot has elected a strategy whereby the client relationship is focused around human banking, along with use of advanced digital platforms to support it. This distinct, unique strategy is reflected by the Bank's business results, quarter after quarter, with high satisfaction among both existing clients and new clients which are joining Mizrahi-Tefahot every single day," **said Bank President, Eldad Fresher.**

Mizrahi Tefahot Bank Ltd.
Highlights of financial statements
As of June 30, 2016 - NIS in millions

Major balance sheet items

	June 30,		Rate of change
	2016	2015	in %
Loans to the public, net	165,515	152,317	8.7
Deposits from the public	169,621	153,736	10.3
Shareholder equity attributable to equity holders of the Bank	12,384	11,266	9.9
Balance sheet total	217,758	201,764	7.9

Profit and profitability for the quarter

	Second Quarter		Rate of change
	2016	2015	in %
Total financing revenues before expenses with respect to credit losses	1,083	1,037	4.4
Commissions and other revenues	363	375	(3.2)
Total revenues	1,446	1,412	2.4
Expenses with respect to credit losses	57	40	-
Operating and other expenses	836	825	1.3
Net profit attributable to shareholders of the Bank	340	330	3.0
Net return on equity	11.6%	12.4%	

	Six months		Rate of change
	2016	2015	in %
Net profit attributable to shareholders of the Bank	628	578	8.7
Net return on equity	10.6%	10.8%	

Key financial ratios (in percent)

	June 30,	
	2016	2015
Credit to the public to balance sheet total	76	75
Deposits from the public to balance sheet total	78	76
Deposits from the public to loans to the public, net	102	101
Capital to balance sheet total	5.7	5.6
Expenses with respect to credit losses for loans to the public, net (annualized):		
For the second quarter	0.14	0.11
For the first half	0.07	0.03
Cost Income Ratio for the second quarter	57.8	58.4
Ratio of Tier I capital to risk elements	9.72	9.30
Total ratio of capital to risk elements	13.23	12.86
Liquidity coverage ratio	99	84
Leverage ratio	5.33	5.24