

May 18, 2016

Net profit in first quarter: NIS 288 million

Compared to NIS 248 million in the corresponding period last year

16.1% growth

Return on equity: 10.0%

Financing revenues from current operations: NIS 922 million

Compared to NIS 846 million in the corresponding period in 2015

9.0% growth

Total assets at end of quarter: NIS 216.8 billion

An increase of 7.9% compared to March 31, 2015

Loans to the public at the end of the quarter: NIS 162.1 billion

An increase of 7.6% compared to March 31, 2015

Deposits from the public at the end of the quarter: NIS 165.0 billion

An increase of 7.8% compared to March 31, 2015

Dividends to be distributed – NIS 43.2 million

For more information – Benny Shoukron, Bank Spokesman: +972-3-7559227 shoukron_b@umtb.co.il

Continued growth in loans to individuals and to small businesses

Total loans to the public in the first quarter of 2016 amounted to NIS 162.1 billion - an increase of 7.6% over the corresponding period last year. As in previous quarters, the Bank saw impressive growth in the first quarter of this year in loans to individuals and to small businesses, which are typically associated with extensive diversification and relatively low risk. The growth was evident in both components of household loans: Non-residential loans grew by 9.2% over the corresponding period last year and residential loans grew by 10.8% - evidence of further increased activity in the real estate market. Loans to small and micro businesses increased by 6.2% compared to the the first quarter of 2015.

Tight control of expenses

Along with growth across all balance sheet items, Mizrahi Tefahot continues to maintain tight control of Bank expenses. Thus, for example, operating and other expenses in the first quarter of this year amounted to NIS 779 million, compared to NIS 761 million in the corresponding period last year – a slight increase by 2.4%.

Payroll and associated expenses in the first quarter of this year amounted to NIS 477 million, compared to NIS 466 million in the corresponding period last year - an increase by only 2.4%.

Consequently, the Bank continues to maintain a low and high-quality cost-income ratio. In the first quarter, this ratio was 60.8%.

Diversification and expansion of Bank sources

Mizrahi-Tefahot's financial robustness, reflected *inter alia* in a AAA credit rating, as well as the significant trust which the Bank enjoys in the capital market - allow the Bank convenient and available access to long-term financial resources for realizing the Bank's diverse uses and needs.

In March, the Bank issued debentures (in three series), raising NIS 3.1 billion at attractive interest rates, taking advantage of market conditions and strong demand.

Prior to that, Mizrahi Tefahot completed an issue amounting to NIS 600 million by private placement of contingent subordinated notes (CoCo), which qualify as Tier II capital according to the Bank of Israel. In January 2016, the Bank raised NIS 183 million, in addition to NIS 417 million raised in this issue in December 2015. This amount should fulfill the Bank's need for supervisory capital at least through 2017.

Eldad Fresher: First quarter results indicate the effectiveness of the Bank's strategic plan, focusing on growth and expansion of business with strict control of expenses and efficient management of Bank capital

"Mizrahi Tefahot's financial statements for the first quarter of 2016 indicate further growth in Bank business, across all major parameters: net profit, operating revenues, loans and deposits, shareholder equity and total assets. Net profit of NIS 288 million and return on equity at 10%, along with further growth in shareholder equity by 9.7% to NIS 12.1 billion - are definitely noteworthy.

The financial results are especially positive against the backdrop of the business environment in which the Bank operates, with continued negative inflation, near-zero Bank of Israel interest rates and further regulatory and legislative encumbrance.

Growth in revenues - both operating revenues as well as commissions and other revenues - was achieved with strict control of Bank expenses. Thus, both operating and other expenses as well as payroll expenses increased this quarter by only a moderate 2.4%. Consequently, the Bank posted in the first quarter a high quality cost-income ratio of 60.8%.

Concurrently, the Bank continued to expand its business in both loans and deposits. Loans to the public at the end of this quarter exceeded NIS 162 billion - an increase by 7.6% over the corresponding period last year - and deposits from the public amounted to NIS 165 billion - an increase by 7.8%. This was along with improved deposit mix through further growth in retail deposits (from households and individuals) and concurrent decrease in deposits from institutional investors.

This data shows the effectiveness of the Bank's strategic plan, which focuses on growth and business expansion, achieving growing market share in most areas and reinforcing Mizrahi Tefahot as a major competitor

offering banking value propositions which are both distinct and distinguishable.

The Tier I capital ratio at the end of the quarter was 9.65%, close to the regulatory target specified for Mizrahi Tefahot for the end of 2016 - with continued implementation of the dividend policy set by the Board of Directors. The Bank will distribute NIS 43.2 million - 15% of net profit in the first quarter of this year - in addition to NIS 122 million distributed with respect to Bank profit in 2015", said **Bank President & CEO, Eldad Fresher**.

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

Major balance sheet items

	March 31		Rate of change
	2016	2015	in %
Loans to the public, net	162,073	150,694	7.6
Deposits from the public	165,001	153,002	7.8
Shareholder equity attributable to equity holders of the Bank	12,098	11,033	9.7
Balance sheet total	216,809	200,972	7.9

Profit and profitability

	First Quarter		Rate of change
	2016	2015	in %
Total revenues	1,281	1,201	6.7
Expenses with respect to credit losses	3	35	
Operating and other expenses	779	761	2.4
Net profit attributable to shareholders of the Bank	288	248	16.1
Net return on equity	10.0%	8.4%	

Key financial ratios (in percent)

	March 31	
	2016	2015
Credit to the public to balance sheet total	75	75
Deposits from the public to balance sheet total	76	76
Deposits from the public to loans to the public, net	102	102
Capital to balance sheet total	5.6	5.5
Expenses with respect to credit losses for loans to the public, net (annualized)	0.01	0.09
Cost-income ratio	60.8	63.4
Ratio of Tier I capital to risk elements	9.65	9.10
Total ratio of capital to risk elements	13.20	12.66
Liquidity coverage ratio	97	-
Leverage ratio	5.23	-