

August 17, 2015

Net profit in the second quarter of this year: NIS 330 million

Compared to NIS 307 million in the corresponding period last year

7.5% growth

Return on equity: 12.4%

Financing revenues in the second quarter: NIS 1,037 million

Compared to NIS 921 million in the corresponding period last year

12.6% growth

Commission revenues in the second quarter: NIS 365 million

Compared to NIS 338 million in the corresponding period last year

8.0% growth

Cost-Income Ratio 58.4%

Ratio of Tier I capital to risk elements at end of quarter: 9.3%

Dividend amounting to NIS 49.5 million to be distributed

with respect to second quarter earnings

Improved profitability with capital base growth

Mizrahi-Tefahot shareholder equity at the end of the second quarter of 2015 amounted to NIS 11.3 billion - an increase of 10.1% over the corresponding period last year. Concurrently, the ratio of Tier I capital to risk elements increased to 9.3%. Therefore, in view of challenging macro-economic conditions, including further lowering of the Bank of Israel interest rate to 0.10%, compared to 0.75% at the end of the second quarter of 2014, the return achieved by the Bank in the second quarter, at 12.4%, is a notable achievement.

Continued growth in retail loans

At the end of the second quarter of 2015, retail loans to the public at the Bank exceeded NIS 126.8 billion – an increase of 9.2% over the corresponding period last year.

The increase in these loans, which are widely diversified and bear relatively low risk, was due to the following components: Loans to households at the end of the second quarter amounted to NIS 21.4 billion, compared to NIS 19.5 billion in the year-ago period - an increase of 9.4%; loans to small businesses as of June 30, 2015 exceeded NIS 9.4 billion, compared to NIS 8.3 billion in the year-ago period - a sharp increase of 13.6%; mortgages increased in the second quarter of this year to NIS 96 billion, compared to NIS 88.2 billion in the corresponding period last year, an increase of 8.8%.

"Happy Banking" and satisfied clients

Mizrahi Tefahot continues to implement its unique "Happy Banking" strategy, which is focused on client relations with their personal banker at their branch, with technology which is not a substitute for personal, human banking service - but rather a complement to empower such service. The Bank, uniquely among banks, continues to open new branches which, just like existing branches, provide a range of services by bankers, including cashier (teller) services.

Manager-Tefahot's differentiated world view positively affects how the Bank values its clients - and clients of all banks - as reflected by surveys and research conducted by professional, objective researchers. Thus, for example, the 2014 survey by the Supervisor of Banks on how the banking system handles public inquiries, reveals that **Mizrahi-Tefahot is the top bank in quality of handling client inquiries**, awarded the top possible score of "Outstanding". Furthermore, the report "Fairness Index in the Banking Sector" issued by the Israel Consumer Council in the second quarter, notes that **Mizrahi-Tefahot has a significant lead in number of clients switching from other banks to this bank over the recent year.**

Eldad Fresher: NIS 330 million profit in the second quarter means a record quarter, reflecting continued growth by Mizrahi-Tefahot in a range of operating segments

"Net profit amounting to NIS 330 million in the second quarter of 2015 means a record quarter for us, reflecting 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 the second quarter, at 12.4%, is a notable positive, given the expansion of the capital base by 10.1% compared to the corresponding period last year and given the continued lower interest rate and implications of regulatory measures on Bank operations in various areas.

Expansion of Bank business is reflected in the 12.6% increase in total financing revenues, which crossed the NIS 1 billion mark for the first time in this quarter, as well as an increase of 9.7% in financing revenues from current operations, which amounted to NIS 941 million in the second quarter, compared to NIS 858 million in the corresponding period last year.

All balance sheet items give a similar indication: Balance sheet total in the second quarter amounted to NIS 201.8 billion, an increase of 7.3% over the corresponding period last year; loans to the public amounted to NIS 152.3 billion, compared to NIS 143.3 billion in the corresponding period last year, an increase of 6.3%; deposits from the public increased by 3.8%, amounting to NIS 153.7 billion, compared to NIS 148.1 billion in the second quarter of 2014.

Mizrahi-Tefahot continues to post a high-quality Cost Income Ratio over time, which in the second quarter of 2015 improved to 58.4%.

The increase in Bank earnings along with progress made on the regulatory target for ratio of Tier I capital to risk elements, allow us to apply the Bank's dividend policy and to distribute a dividend amounting to NIS 49.5 million - or 15% of earnings in the second quarter of 2015. This is in addition to a dividend amounting to NIS 36.6 million distributed with respect to earnings in the first quarter of this year.

Mizrahi-Tefahot has also retained in the first half of 2015 its leadership position in the mortgage market, with a market share of 35% of housing loans. This was achieved concurrently with maintaining a conservative underwriting policy and constant improvement of the loan repayment to income ratio, along with strict review of the portfolio risk component, even under scenarios of higher interest rates and deterioration in the economy," said **Bank President & CEO, Eldad Fresher**.

Mizrahi-Tefahot Bank Ltd.
Highlights of financial statements
As of June 30, 2015 - NIS in millions

Major balance sheet items

	June 30,		Rate of change in %
	2015	2014	
Loans to the public, net	152,317	143,353	6.3
Deposits from the public	153,736	148,063	3.8
Shareholder equity attributable to equity holders of the Bank	11,266	10,237	10.1
Balance sheet total	201,764	188,105	7.3

Profit and profitability for the quarter

	Second Quarter		Rate of change in %
	2015	2014	
Total financing revenues before expenses with respect to credit losses	1,037	921	12.6
Commissions and other revenues	375	345	8.7
Total revenues	1,412	1,266	11.5
Expenses with respect to credit losses	40	23	-
Operating and other expenses	825	742	11.2
Net profit attributable to equity holders of the Bank	330	307	7.5
Net return on equity	12.4%	12.7%	

Key financial ratios (in percent)

	June 30,	
	2015	2014
Credit to the public to balance sheet total	75	76
Deposits from the public to balance sheet total	76	79
Deposits from the public to loans to the public, net	101	103
Capital to balance sheet total	5.6	5.4
Expenses with respect to credit losses for loans to the public, net (annualized):		
For the second quarter	0.11	0.06
For the first half	0.10	0.03
Cost-income ratio:		
For the second quarter	58.4	58.6
For the first half	60.7	60.5
Ratio of Tier I capital to risk elements	9.30	8.94
Total ratio of capital to risk elements	12.86	12.99
Liquidity coverage ratio	84	-
Leverage ratio	5.24	-