

May 18, 2015

**Net profit in first quarter\*:** NIS 244 million

Compared to NIS 268 million in the corresponding period last year

**9.0% decrease**

**Return on equity:** 9.2%

**Total assets** at end of quarter: NIS 201 billion

**An increase of 8.8%** compared to March 31, 2014

**Loans to the public** at the end of the quarter: NIS 150.7 billion

**An increase of 6.8%** compared to March 31, 2014

**Deposits from the public** at the end of the quarter: NIS 153 billion

**An increase of 5.0%** compared to March 31, 2014

**Dividends to be distributed – NIS 36.6 million**

\* Significant decrease in known CPI, by 1.6%, in the first quarter of 2015 and accounting recording of fair value of derivatives resulted in a NIS 128 million decrease in net profit

## **Dividend distribution resumed**

In December 2014, the Mizrahi-Tefahot Board of Directors approved a revised dividend distribution policy for 2015-2016, whereby the Bank would distribute a quarterly dividend of up to 15% of new profit as from the first quarter of 2015. This is subject to compliance with regulatory requirements with regard to capital adequacy, as adopted by the Bank Board of Directors.

Accordingly, the Board of Directors approved a dividend distribution amounting to NIS 36.6 million with respect to Bank profit in the first quarter, or 15% of net profit.

The effective date for dividend payment is June 1, 2015 and the payment date is June 14, 2015.

Note that the Bank most recently distributed a dividend with respect to profit in the second quarter of 2013.

## **Continued growth in business and retail loans**

In the first quarter of 2015, Mizrahi-Tefahot showed an increase of 6.8% in loans to the public, compared to the corresponding period last year. Retail loans amounted to NIS 123 billion, compared to NIS 113 billion in the corresponding period last year - an increase of NIS 10 billion - with increase in all three components: 8.6% in household loans; 8.2% in residential loans; and 14.5% in small business loans.

Note that after the decrease in commercial and business loans at the Bank in 2014 – given the slower economy and lower demand for loans in the business and corporate segment, in the first quarter of this year, Mizrahi-Tefahot once again achieved growth in commercial loans (4.2%) as well as in business loans (5.1%), compared to December 31, 2014. This growth is even higher than in retail loans at the Bank for the first three months of 2015.

## **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 January, the Mizrahi-Tefahot issued debentures in one series, through Mizrahi-Tefahot Issuance, a Bank subsidiary.

This issuance raised NIS 3.1 billion at attractive interest rates, thanks to positive market conditions and strong demand for this issuance from a wide range of entities.

**Eldad Fresher: The quarterly results show continued growth of Bank business, despite the sharp decline in the CPI and an extremely low interest environment**

"Mizrahi-Tefahot's financial statements for the first quarter show continued growth of Bank business with increase in shareholder equity – over NIS 11 billion for the first time ever, in balance sheet total – which reached over NIS 200 billion, as well as in market share of loans and deposits.

An unusual 1.6% decline in the Consumer Price Index in the first quarter – which we have not seen in Israel for the past 9 years - and accounting recording of fair value of derivatives resulted in a NIS 128 million decrease in net profit. This was against the backdrop of continued lowering of the Bank of Israel interest rate, to 0.1%, in the first quarter.

Expansion of Bank business was evident in loans and deposits as well. Total loans to the public at the Bank increased by 6.8% compared to the corresponding period last year, primarily due to an increase of 8.7% in retail banking. Along with impressive growth in household loans and in the mortgage portfolio – which reflects the continued active residential housing market – loans provided by the Bank to small businesses in the first quarter shot up by 14.5%.

Note, on this matter, Mizrahi-Tefahot's intensive operations in the dedicated fund created by the Government for small to medium businesses. Since the Bank was awarded this tender, he has provided from this fund loans amounting to NIS 1.4 billion to many small businesses. This activity should continue in the coming quarters.

Growth was also recorded in deposits from the public in the first quarter. These deposits amounted to NIS 153 billion – a 5% increase over the year-ago period; here, too, retail banking took the lead with a 10.4% year-over-year increase.

The Bank successfully completed several infrastructure projects which would have implications on continued growth and survivability of the Bank in coming years. Thus, for example, the project of relocating the Bank's central computer to a new, secure facility was completed in the first quarter. This move is in addition to signing an agreement which finally and comprehensively settles labor relations with employees of the Technology Division – a step which should ensure stability and development on the Bank's technology side. Concurrently, we have executed on the first phase of our plan to penetrate the Arab community, with two new branches opened in Kfar Yassif and in Um El Fahem," said **Bank President & CEO, Eldad Fresher.**

**Mizrahi-Tefahot Bank Ltd.**  
**Highlights of financial statements**  
**As of March 31, 2015 - NIS in millions**

**Major balance sheet items**

|                                                               | March 31 |         | Rate of change |
|---------------------------------------------------------------|----------|---------|----------------|
|                                                               | 2015     | 2014    | in %           |
| Loans to the public, net                                      | 150,694  | 141,061 | 6.8            |
| Deposits from the public                                      | 153,002  | 145,701 | 5.0            |
| Shareholder equity attributable to equity holders of the Bank | 11,126   | 10,038  | 10.8           |
| Balance sheet total                                           | 201,096  | 184,812 | 8.8            |

**Profit and Profitability**

|                                                                        | March 31 |       | Rate of change |
|------------------------------------------------------------------------|----------|-------|----------------|
|                                                                        | 2015     | 2014  | in %           |
| Total financing revenues before expenses with respect to credit losses | 824      | 794   | 3.8            |
| Commissions and other revenues                                         | 377      | 357   | 5.6            |
| Total revenues                                                         | 1,201    | 1,151 | 4.3            |
| Expenses with respect to credit losses                                 | 35       | (5)   | -              |
| Operating and other expenses                                           | 767      | 722   | 6.2            |
| Net profit attributable to equity holders of the Bank                  | 244      | 268   | (9.0)          |
| Net return on equity                                                   | 9.2%     | 11.3% |                |

**Key financial ratios (in percent)**

|                                                                                       | March 31 |        |
|---------------------------------------------------------------------------------------|----------|--------|
|                                                                                       | 2015     | 2014   |
| Credit to the public to balance sheet total                                           | 75       | 76     |
| Deposits from the public to balance sheet total                                       | 76       | 79     |
| Shareholder equity attributable to equity holders of the Bank, to balance sheet total | 5.5      | 5.4    |
| Expenses with respect to credit losses to loans to the public, net (annualized)       | 0.09     | (0.01) |
| Cost-income ratio <sup>(1)</sup>                                                      | 63.9     | 62.7   |
| Ratio of Tier I capital to risk elements                                              | 9.17     | 8.87   |
| Total ratio of capital to risk elements                                               | 12.72    | 12.97  |

(1) Excluding the effect of the CPI and accounting recording of fair value of derivatives, as noted above, the Cost-Income Ratio was 54.5%.