

March 10, 2015

**Net profit in 2014: NIS 1,083 million**  
compared to NIS 1,078 million in 2013

**Shareholders' equity: NIS 10,987 million**  
compared to NIS 9,852 million in the corresponding period last year  
11.5% growth

**Return on equity in 2014: 10.4%**  
given the aforementioned growth in shareholders' equity  
compared to return on equity at 11.5% in 2013

**Financing revenues from current operations: NIS 3,309 million**  
compared to NIS 3,129 million in 2013  
5.8% increase

**Financing revenues in the fourth quarter: NIS 889 million**  
compared to NIS 807 million in the corresponding period last year  
10.2% growth

**Tier I capital ratio (in Basel III terms) at end of 2014: 9.12%**  
compared to 9.01% at end of 2013

## **Further increase in Mizrahi-Tefahot Group's market share**

Mizrahi-Tefahot posted growth in all balance sheet items in 2014: Balance sheet total amounted to NIS 198.6 billion - an increase of 10.6%; loans to the public reached NIS 147.6 billion - an increase of 6.5%; and deposits from the public amounted to NIS 152.4 billion - an increase of 7.9% 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 2014, the Bank Group share of deposits from the public grew to 16%; as for loans to the public, Mizrahi-Tefahot Group accounts for 17.5% thereof.

As in recent years, this year too the Bank maintained an impressive cost-income ratio. In 2014, this ratio was 60.8%.

## **Bank rating raised to AAA and highly successful debenture issue**

In December 2014, S&P Ma'alot announced it was raising Mizrahi Tefahot's issuer rating to AAA with a stable rating outlook, from its AA+ rating which was in place since 2003.

This decision, which reflects significant confidence in the Bank, in its business policy and in its strategic plan - is also reflected by the favorable response to debenture issues by the Bank this year.

In total, Mizrahi Tefahot raised NIS 5.8 billion in three issues in 2014, benefitting from the low interest rate environment and from very strong demand.

## **Continued growth in retail loans**

Given continued moderation of economic activity and lower demand for business credit, the Bank expanded its involvement in syndicated loans and further reinforced its retail banking side, which is characterized by wide diversification and relatively low risk.

Retail lending at the Bank, which includes loans to households, to small businesses and mortgages, increased overall by 9.1% (an increase of 7.6%, 17.6% and 8.7%, respectively) over 2013, amounting to NIS 121 billion.

**Eldad Fresher: The 2014 financial results reflect continued growth momentum at the Bank with growth in revenues, net profit and market share of the Bank**

"Mizrahi Tefahot's success in continuing to grow its market share, against a challenging macro-economic background and stricter regulation, is testimony to the Bank's resilience and to the quality of its employees and management. Record revenues from financing operations and from commissions, amounting to NIS 5 billion, and net annual profit of NIS 1.08 billion are commendable achievements, which give indication of how the Bank results would look under normal conditions in Israel's economy, with increased growth, positive inflation and interest rates based on such environment.

Expansion of Bank business was reflected in all balance sheet items and in various operating segments. Thus, for example, the Bank's loan portfolio increased in 2014 by 6.5% to NIS 147.6 billion - with a notable 17.6% increase in lending in the small business segment. Deposits from the public in 2014 amounted to NIS 152.4 billion, compared to NIS 141.2 billion in the previous year - an increase of 8.0%.

This year, the Bank presented a revised and challenging strategic plan, with upward revisions of the target for loans to the public to 19% and of the target for deposits from the public to 17.5%. This is in view of the Bank's success in achieving early its targets originally specified for the end of 2017.

The increased loan portfolio contributed to financing revenues from current operations increasing by 5.8% to NIS 3.3 billion, despite continued lowering of the Bank of Israel interest rate, from 1.0% at end of 2013 to 0.25% in September 2014 and a negative 0.2% reading on the Consumer Price Index, compared to positive inflation of 1.8% in 2013.

Along with continued revenue growth, Mizrahi-Tefahot continues to maintain strict control over expense items. Thus, for example, operating and other expenses in 2014 amounted to NIS 3 billion, a moderate increase of only 2.5% compared to 2013.

Given the strong competition in the mortgage market, regulatory steps and uncertainty with regard to Government plans concerning residential real estate, Mizrahi Tefahot maintained in 2014 its position as the largest, leading bank in Israel for housing loans (for residential purpose, including loans guaranteed by the State) - with a 34% market share. This was achieved while adhering to a conservative, high-quality underwriting process and consistent decrease in portfolio risk," said **Bank President & CEO, Eldad Fresher.**

**Mizrahi-Tefahot Ltd.**  
**Highlights of financial statements**  
**As of December 31, 2014 - NIS in millions**

**Major balance sheet items**

	December 31		
	2014	2013	Change in %
Loans to the public, net	147,569	138,565	6.5
Deposits from the public	152,379	141,244	7.9
Shareholder equity attributable to equity holders of the Bank	10,987	9,852	11.5
Balance sheet total	198,564	179,613	10.6

**Profit and Profitability**

	December 31		
	2014	2013	Change in %
Total financing revenues before expenses with respect to credit losses	3,548	3,478	2.0
Commissions and other revenues	1,439	1,485	(3.1)
Total revenues	4,987	4,963	0.5
Expenses with respect to credit losses	173	288	-
Operating and other expenses	3,032	2,957	2.5
Net profit attributable to equity holders of the Bank	1,083	1,078	0.5
Net return on equity	10.4%	11.5%	

For the fourth quarter:

Total financing revenues before expenses with respect to credit losses	889	807	10.2
Net profit attributable to equity holders of the Bank	213	252	-
Net return on equity	8.1%	10.8%	

**Key financial ratios (in percent)**

	December 31,	
	2014	2013
Credit to the public to balance sheet total	74	77
Deposits from the public to balance sheet total	77	79
Shareholder equity attributable to equity holders of the Bank, to balance sheet total	5.5	5.5
Expenses with respect to credit losses to loans to the public, net (annualized):		
For the fourth quarter	0.41	0.01
For the year	0.12	0.21
Cost-income ratio		
For the fourth quarter	60.2	65.6
For the year	60.8	59.6
Ratio of Tier I capital to risk elements	9.12	9.01
Total ratio of capital to risk elements	13.03	13.04