

May 15, 2014

Total assets at end of quarter: NIS 184.7 billion
An increase of **11.6%** compared to March 31, 2013

Loans to the public at the end of the quarter: NIS 141 billion
An increase of **8.1%** compared to March 31, 2013

Deposits from the public at the end of the quarter: NIS 145.7 billion
An increase of **12.0%** compared to March 31, 2013

Net profit in first quarter: NIS 264 million
Compared to NIS 280 million in the corresponding period last year
5.7% decrease

Return on equity: 11.0%

Ratio of Tier I capital to risk elements: 8.87%*
With an 11.2% increase in equity, to NIS 10.1 billion

* Including effect of implementation of Basel III directives (on January 1, 2014: 8.73%)

Continued growth of retail business

Against the backdrop of more moderate economic activity and lower demand for business credit, Mizrahi-Tefahot continues to expand its retail banking business, focusing on households and small businesses - which provide extensive diversification in various business areas.

In the first quarter of this year, retail credit, including housing loans, amounted to NIS 113.2 billion, compared to NIS 102.4 billion in the year-ago period - an increase of 10.5%, due to the three components of retail banking: households, mortgages and small businesses.

Increased business in retail banking was also reflected in deposits: At the end of the first quarter, total deposits in the household segment exceeded NIS 61 billion, an increase of 4% over the year-ago period. At the end of the first quarter, total deposits in the small business segment amounted to NIS 9.8 billion - a sharp increase of 16.9% over the year-ago period.

Tight control of all expenditures

Along with continued growth in market share, credit and deposits - Bank Mizrahi-Tefahot exercised tight control of expenses, kept lower than the trajectory specified in the Bank's strategic plan.

Thus, *inter alia*, operating and other expenses in the first quarter of 2014 amounted to NIS 727 million, compared to NIS 717 million in the year-ago period - an increase of only 1.4%.

Payroll expenses in the first quarter of this year amounted to NIS 456 million, compared to NIS 445 million in the year-ago period - a moderate increase of 2.5%.

Diversification and expansion of Bank sources

The significant trust accorded to Bank Mizrahi-Tefahot in the capital market allows the Bank to benefit from convenient, available access to long-term financing sources for financing the range of uses and financing needs of the Bank.

In January of this year, the Bank issued debentures in two series, through Mizrahi-Tefahot Issuance, a Bank subsidiary.

This issuance raised NIS 1.7 billion at attractive interest rates, utilizing market conditions and the strong demand for this issuance.

Eldad Fresher: First quarter results indicate continued growth of Bank business and market share, with control over expenditures

"Mizrahi-Tefahot's financial statements for the first quarter of 2014 indicate continued growth in Bank business, equity - which for the first time exceeded NIS 10 billion - and market shares in credit and deposits.

Total loans to the public in the first quarter grew by over 8% compared to the corresponding period last year, with growth primarily evident in retail banking: an increase of 6% in household credit and a sharp increase of 9.2% in credit to small businesses. This was accompanied by growth of 11.8% in the mortgage portfolio - a direct outcome of the continued active residential housing market.

Against the backdrop of lower demand for credit in the business and corporate segments, the Bank strives to significantly expand its business in the small and medium business segment - due, *inter alia*, to the Bank being awarded the tender for the special-purpose fund created by the Government for such businesses. As part of the first lot, the Bank provided Government-guaranteed loans to small and medium businesses amounting to over NIS 700 million; recently, the Bank started to provide loans amounting to a further NIS 700 million in the second lot.

Commendable growth was also recorded in deposits from the public in the first quarter. These amounted to NIS 145.7 billion - an increase of 12% over the year-ago period.

The contribution of business growth to net profit was slightly reduced due to continued lowering of the Bank of Israel interest rate - which at the end of this quarter reached 0.75% - compared to 1.75% at the end of the year-ago period - and a cumulative negative CPI of 0.7%, compared to 0% in the first quarter of last year.

Concurrently, the Bank exercised tight control of all expense items, with operating and other expenses increasing by a moderate 1.4% in the first quarter.

Mizrahi-Tefahot continues to maintain its leadership position in the mortgage market. In the first quarter of this year, housing loans originated by the Bank were at 36%. This success, which is due to the professional skills and expertise of our mortgage bankers and the resulting brand power of Tefahot, achieved concurrently with maintaining a conservative underwriting policy with strict review of borrower repayment capacity, even under scenarios of higher interest rates and deterioration in the economy," said **Bank President, Eldad Fresher**.

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

Major balance sheet items

	March 31,		Rate of
	2014	2013	In %
Loans to the public, net	141,061	130,543	8.1
Deposits from the public	145,701	130,117	12.0
Equity (attributable to equity holders of the banking corporation)	10,130	9,108	11.2
Balance sheet total	184,754	165,557	11.6

Profit and Profitability

	March 31,		Rate of
	2014	2013	In %
Total financing revenues before expenses with respect to credit losses	794	835	(4.9)
Commissions and other revenues	357	373	(4.3)
Total revenues	1,151	1,208	(4.7)
Expenses with respect to credit losses	(5)	34	-
Operating and other expenses	727	717	1.4
Net profit attributable to equity holders of the banking corporation	264	280	(5.7)
Net return on equity	11.0%	13.1%	

Financial ratios

	March 31,	
	2014	2013
Credit to the public to balance sheet total	76%	79%
Deposits from the public to balance sheet total	79%	79%
Capital to balance sheet total	5.5%	5.5%
Expenses with respect to credit losses to loans to the public, net (annualized)	(0.01%)	0.10%
Cost-income ratio	63.2%	59.4%
Ratio of Tier I capital to risk elements	8.87%	8.71%
Total ratio of capital to risk elements	12.97%	13.25%