

March 10, 2014

In 2013, the Bank made a non-recurring provision for credit losses amounting to NIS 191 million, due to implementation of Bank of Israel directives with regard to housing loans.

This provision reduced the Bank's annual net profit by NIS 122 million.

Net profit in 2013 (excluding a non-recurring provision): NIS 1,200 million

compared to NIS 1,076 million in 2012

11.5% growth

Return on equity (excluding the non-recurring provision): 12.8%

Net profit reported in 2013: NIS 1,078 million

compared to NIS 1,076 million in 2012

0.2% growth

Return on equity: 11.5%

Tier I capital ratio as of December 31, 2013: 9.01%

compared to 8.55% at end of 2012

Financing revenues from current operations: NIS 3,304 million

7.1% growth compared to previous year

Further increase in Mizrahi-Tefahot Group's market share

Mizrahi-Tefahot posted growth in all balance sheet items, in 2013 as well: Balance sheet total amounted to NIS 179.6 million - an increase of 10.7%; loans to the public reached NIS 138.5 million - an increase of 7.7%; and deposits from the public amounted to NIS 141.2 billion - an increase of 10.3%.

Consequently, Mizrahi-Tefahot further increased its market share among the top 5 banking groups. As of the end of the third quarter of 2013, the Bank Group share of loans to the public grew to 17%; as for deposits from the public, Mizrahi-Tefahot Group accounts for 15% thereof. As in previous years, in 2013 Mizrahi-Tefahot continued to post the best efficiency ratio in the banking system - 59.6%.

Achievement of capital adequacy target while increasing the capital base

The Bank's Tier I capital ratio reached 9.01% as early as December 31, 2013 – one year earlier than the deadline specified by the Bank of Israel in schedules concerning capital adequacy. This compares to a Tier I capital ratio of 8.55% at the end of 2012. This ratio was achieved concurrently with continued growth of the Bank's capital base: At the end of 2013, Mizrahi-Tefahot's shareholder equity reached NIS 9.9 billion, compared to NIS 8.8 billion at the end of the previous year – an increase of 11.8%. On January 1, 2014, the Tier 1 capital ratio decreased to 8.72% due to application of Basel III rules.

Eldad Fresher: Mizrahi-Tefahot's growth momentum continued in 2013 with growth in all operating segments and further increase in revenues and in net profit

"Mizrahi-Tefahot's 2013 financial results indicate the continued growth momentum at the Bank in recent years, reinforcing its position as the fastest growing and most profitable bank in the Israeli banking system over time. Record revenues from financing operations and commissions, amounting to almost NIS 5 billion and annual net profit of NIS 1.08 billion are a noteworthy achievement in view of the economic slow-down and heavier regulatory burden - and their implications for the banking sector.

Excluding the non-recurring provision with regard to housing loans, made as directed by the Bank of Israel, which reduced net profit by NIS 122 million, return on equity in 2013 would have reached 12.8%. Note that the increase in Tier I capital ratio, which reached 9.01% as early as the end of 2013 - one year sooner than in schedules specified by the Bank of Israel, with a significant increase of almost 12% in the Bank's shareholder equity to NIS 9.9 billion - also impacted the reported return on equity.

Expansion of Bank operations was evident in practically all areas. Thus, *inter alia*, the Bank's loan portfolio increased by 7.7%; along with the increase in the mortgage portfolio - due to increased business in the residential real estate sector, loans to the household segment posted an impressive 6% increase, while loans to small businesses shot up by almost 12%.

Growth of the loan portfolio contributed to the 7.1% increase in financing revenues from current operations, to NIS 3.3 billion. Deposits from the public grew at an even faster rate, amounting to NIS 141.2 billion - an increase of over 10% compared to 2012.

Against the backdrop of strong competition in the mortgage market, regulatory measures and Government plans for the real estate sector - Mizrahi-Tefahot maintained its leadership position as the largest bank in Israel in housing loans (for residential use, including loans guaranteed by the State) and increased its market share to 36% in 2013.

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 prudent, responsible underwriting policies and 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 Ltd.

Highlights of financial statements

As of December 31, 2013 - NIS in millions

Major balance sheet items

	December 31		Change in %
	2013	2012	
Loans to the public, net	138,565	128,651	7.7
Deposits from the public	141,244	128,081	10.3
Shareholders' equity	9,852	8,811	11.8
Balance sheet total	179,613	162,242	10.7

Profit and Profitability

	December 31		Change in %
	2013	2012	
Total financing revenues before expenses with respect to credit loss	3,478	3,309	5.1
Commissions and other revenues	1,485	1,478	0.5
Total revenues	4,963	4,787	3.7
Expenses with respect to credit losses	288	276	4.3
Operating and other expenses	2,957	2,786	6.1
Net profit attributable to equity holders of the banking corporation	1,078	1,076	0.2
Net return on equity	11.5%	13.1%	

Financial ratios

	December 31	
	2013	2012
Credit to the public to balance sheet total	77%	79%
Deposits from the public to balance sheet total	79%	79%
Equity attributable to equity holders of the banking corporation, to balance sheet total	5.5%	5.4%
Expenses with respect to credit losses to loans to the public, net (annualized)	0.21%	0.21%
Cost-income ratio	59.6%	58.2%
Ratio of Tier I capital to risk elements	9.01%	8.55%
Total ratio of capital to risk elements	13.04%	13.35%