

May 28, 2013

Net profit in first quarter: **NIS 280 million**

Compared to NIS 251 million in the corresponding period last year

**11.6% growth**

Ratio of Tier I capital to risk elements: **8.71%**

**A 15% increase in capital compared to the year-ago period**

Return on equity: **13.1%**

Financing revenues from current operations: **NIS 804 million**

**Compared to NIS 732 million in the year-ago period**

**9.8% growth**

Loans to the public at the end of the quarter: **NIS 130,543 million**

**An increase of 8.5% compared to March 31, 2012**

**Deposits from the public** at the end of the quarter: **NIS 130,419 million**

**An increase of 9.1% compared to March 31, 2012**

## **Controlling expenses and maintaining an outstanding efficiency ratio**

Along with revenue growth, Bank Mizrahi-Tefahot strictly maintains control of its expenses. This is reflected by a modest 3.3% growth in operating and other expenses in the first quarter of this year over the year-ago period - lower than the maximum target specified in the Bank's strategic plan.

Payroll expenses also increased by a modest 2.5% over the year-ago period, even though the first quarter of each year typically sees payroll adjustments due to agreements. The significant increase in revenues, along with strict control over expenses, allow the Bank to continue recording an impressive 59.4% efficiency ratio - maintaining its position as the most efficient bank in Israel.

## **Continued growth of retail business**

In the face of a slow-down in economic activity, Bank Mizrahi-Tefahot continues to expand its retail business with both households and small businesses, which are highly diversified with a range of operating segments.

Growth in retail business was reflected in both loans and deposits.

Loans to households (excluding housing loans) in the first quarter of this year reached NIS 18,161 million - an increase of 7.1% over the year-ago period. Loans to the small business segment at the end of March 2013 amounted to NIS 7,371 million - an increase of 13.7% over the year-ago period.

Total deposits from the public at the end of the first quarter amounted to NIS 130,419 million - an increase of 9.1% over the year-ago period. In the small business segment, total deposits amounted to NIS 8,396 million - a sharp increase of 16.0% over the year-ago period.

## **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, the Bank issued debentures in two series, through Tefahot Issuance, a Bank subsidiary.

This issuance raised NIS 1.5 billion at attractive interest rates, utilizing market conditions and the strong demand for this issuance.

## **Eli Yones: First quarter results indicate continued growth in various operating segments, along with tight control over expenses**

"Results of the first quarter of this year, headlined by net profit amounting to NIS 280 million and return on equity at 13.1%, are in direct continuation of our excellent results achieved in 2012 - indicating continued growth in various operating segments along with tight control over expenses.

Bank Mizrahi-Tefahot's success in maintaining the highest profitability in the banking system is especially noteworthy as it came along with a 15% increase in the Bank's capital base and an increase in its Tier I capital ratio to 8.71%. This trend should continue in the coming quarters, and the Bank should reach a Tier I capital ratio of 9% - ahead of the deadline specified by the Bank of Israel.

The business expansion is reflected, *inter alia*, in a nearly 10% increase in financing revenues from current operations: NIS 804 million in the first quarter of 2013, compared to NIS 732 million in the year-ago period, as well as in evolution of key balance sheet items. Thus, for example, loans to the public at the end of the first quarter reached NIS 130,543 million - an impressive 8.5% growth year-over-year. Deposits from the public at the end of March 2013 amounted to NIS 130,419 million - a sharp increase of 9.1% over the year-ago period.

Further slow-down in economic activity and its implications for the overall economy and for the business sector in particular, resulted in lower demand for credit by businesses. In the face of this trend, the Bank continued in the first quarter of this year to further intensify its business with households and small businesses, which typically are more diversified and carry a relatively lower risk. This business expansion is reflected in both an increase in loans provided by the Bank to these segments and in growth of deposits from these segments at the Bank.

Bank Mizrahi-Tefahot continues to maintain its leadership position in the mortgage market, despite stronger competition, regulatory burden in this sector and the changes in the real estate market. In the first quarter of this year, the Bank increased its leadership gap, reaching an average market share in excess of 37% in housing loans (for residential housing, including loans guaranteed by the State). This success is primarily due to the professional skills and expertise of our mortgage bankers and the brand power of Tefahot, achieved concurrently with maintaining a conservative underwriting policy and strict review of borrower repayment capacity, even under scenarios of higher interest rates and further deterioration in the economy," said **Bank President, Eli Yones**.

**Mizrahi-Tefahot Bank Ltd.**  
**Highlights of financial statements**  
**As of March 31, 2013 - NIS in millions**

**Major balance sheet items**

	March 31		Rate of change
	2013	2012	in %
Loans to the public, net	130,543	120,369	8.5
Deposits from the public	130,419	119,501	9.1
Equity (attributable to equity holders of the banking corporation)	9,108	7,933	14.8
Balance sheet total	165,557	150,244	10.2

**Profit and Profitability**

	March 31		Rate of change
	2013	2012	in %
Total financing revenues before expenses with respect to credit loss	835	786	6.2
Commissions and other revenues	373	365	2.2
<b>Total income</b>	<b>1,208</b>	<b>1,151</b>	<b>5.0</b>
Expenses with respect to credit loss	34	67	(49.3)
Operating and other expenses	717	694	3.3
<b>Net profit attributable to equity holders of the banking corporation</b>	<b>280</b>	<b>251</b>	<b>11.6</b>
<b>Net return on equity</b>	<b>13.1%</b>	<b>13.6%</b>	

**Financial ratios**

	March 31	
	2013	2012
Credit to the public to balance sheet total	79%	80%
Deposits from the public to balance sheet total	79%	80%
Capital to balance sheet total	5.5%	5.3%
Expenses with respect to credit loss to loans to the public, net (annualized)	0.10%	0.22%
Cost-income ratio	59.4%	60.3%
Ratio of Tier I capital to risk elements	8.71%	7.94%
Total ratio of capital to risk elements	13.25%	13.24%