

November 28, 2011

**Net profit in third quarter: NIS 255 million**

Compared to NIS 208 million in the corresponding period last year

**22.6% growth**

**Return on equity in third quarter: 14.9%**

**Net profit for first nine months: NIS 745 million**

Compared to NIS 579 million in the corresponding period last year

**28.7% growth**

**Return on equity for the first nine months: 14.3%**

**Profit from financing operations in the third quarter: NIS 877 million**

**19.3% growth** over the corresponding period last year

**Net profit from financing operations for first nine months: NIS 2,424 million**

**16.6% growth** over the corresponding period last year

**Ratio of total capital to risk elements: 13.55%**

**Tier I capital ratio: 7.70%**

### **Accelerated growth in range of operating segments**

The impressive business results presented by the Bank - for the third quarter and year to date - are the result of accelerated growth in all operating segments. Thus, inter alia, loans to the public increased by 13.7% since end of September 2010, of which 14.9% in retail loans and 8.0% in business and commercial loans.

Deposits from the public grew by 15.1% - primarily in the retail and private banking segments. Activity in the Bank's trading room grew by 9.3% over the past 12 months.

In response to the significant growth in activity volume and in recruiting new clients, the Bank has launched, since year start, 13 new branches and points of sale, and steadily increased its headcount.

### **Significant improvement in Bank efficiency ratios**

Along with rapid growth and significant increase in business volume, Mizrahi-Tefahot continues to maintain its leadership position as the most efficient bank in Israel, with constant improvement in the Bank's financial ratios. Cost-income ratio for the Bank Group in the first nine months of this year reached 57.2%, compared to 60.7% in the corresponding period last year and to 59.3% for all of 2010.

This positive trend also indicated continued improvement in business results of Bank Yahav, which succeeded in improving its cost to income ratio.

For the third quarter of 2011, the cost-income ratio for Mizrahi Tefahot Group was 53.6% - similar to that of leading global banks.

### **Hybrid Banking - the revolution is under way**

Since the 2005 merger, Mizrahi-Tefahot has set itself one main objective: strive for innovation and competitiveness as a key growth driver.

Recently, the Bank has launched Hybrid Banking - an innovative service concept, integrating in optimal fashion both personal and digital banking. The Bank believes that this original initiative, designed in response to real client needs - while bucking the prevailing trend in local and global banking, of distancing clients from their personal banker and branch - would promote competition among banks, would highlight the differentiation between them and would significantly accelerate the flow of new clients joining Mizrahi-Tefahot.

**Eli Yones: Business results reflect continued expansion in range of operating segments, in line with our objectives set in the strategic plan**

"Business results in the third quarter, as well as year-to-date, reflect continued expansion in Bank business, as well as our success in achieving objectives of our strategic plan, consistently increasing net profit - even during an economic down-turn.

Net profit of NIS 745 million in the first nine months of 2011 - an impressive 28.7% growth, compared to NIS 579 million in the corresponding period last year (and to NIS 801 million for all of 2010), as well as net profit of NIS 255 million and 14.9% return on equity in the third quarter of this year - 22.6% growth over the year-ago period, bring us very close to the target return on equity set in our strategic plan for 2013.

These financial data are a direct result of accelerated expansion of Bank business in a range of segments. Thus, for example, financing profit grew by 19.3% in the third quarter over the year-ago period - to NIS 877 million. Year to date, this profit amounted to NIS 2,424 million, a 16.6% growth year-over-year.

Evolution of balance sheet items reveals a similar picture: Year to date, the Bank's balance sheet grew by 10.2%, while deposits from the public and loans to the public each grew by 9.9%. This item also speaks to the significant progress made by the Bank Group in recent years, when it has grown its share of loans to the public extended by Israel's banking system - to 16% today.

Mizrahi-Tefahot continues to maintain its leadership position in housing loans - despite increased competition and changes in this sector over the past year. According to Bank of Israel data, the Bank's average market share in the third quarter was 34.3%, while maintaining a relatively high financial margin - in line with the current risk level associated with the residential real estate sector.

Mizrahi-Tefahot continues to be a leading competitive driver in Israel's banking system, thanks to its original, innovative line of new products and services, designed to significantly enhance the client experience. Hybrid Banking, recently launched by the Bank, provides a perfect solution for real client needs - and would help Mizrahi-Tefahot continue to differentiate itself, with accelerated growth of its client base and range of operating segments", says Bank President, Mr. Eli Yones.

## Mizrahi-Tefahot Bank Ltd.

### Highlights of financial statements

As of September 30, 2011 - NIS in millions

#### Major balance sheet items

	September 30		Change in %
	2011	2010	
Loans to the public, net	117,620	103,493	13.7
Deposits from the public	116,497	101,204	15.1
Equity attributable to equity holders of the banking corporation	7,359	6,877	7.0
Balance sheet total	146,877	126,408	16.2

#### Profit and Profitability

	For the nine months ended September 30		Change in %
	2011	2010	
Profit from financing operations before expenses with respect to credit loss	2,424	2,079	16.6
Operating and other income	1,034	1,017	1.7
<b>Total financing and operating income</b>	<b>3,458</b>	<b>3,096</b>	<b>11.7</b>
Expenses with respect to credit loss	276	281	(1.8)
Operating and other expenses	1,978	1,878	5.3
Operating and other expenses, excluding growth in business volume and accounting effects	1,948	1,878	3.7
<b>Net profit attributable to equity holders of the banking corporation</b>	<b>745</b>	<b>579</b>	<b>28.7</b>
<b>Net return on equity</b>	<b>14.3%</b>	<b>11.6%</b>	

#### Financial ratios

	September 30	
	2011	2010
Credit to the public to balance sheet total	80%	80%
Deposits from the public to balance sheet total	79%	80%
Equity attributable to equity holders of the banking corporation, to balance sheet total	5.01%	5.44%
Expenses with respect to credit loss to loans to the public, net	0.31%	0.36%
Cost-income ratio	57.2%	60.7%
Ratio of Tier I capital to risk elements	7.70%	7.84%
Total ratio of capital to risk elements	13.55%	13.88%