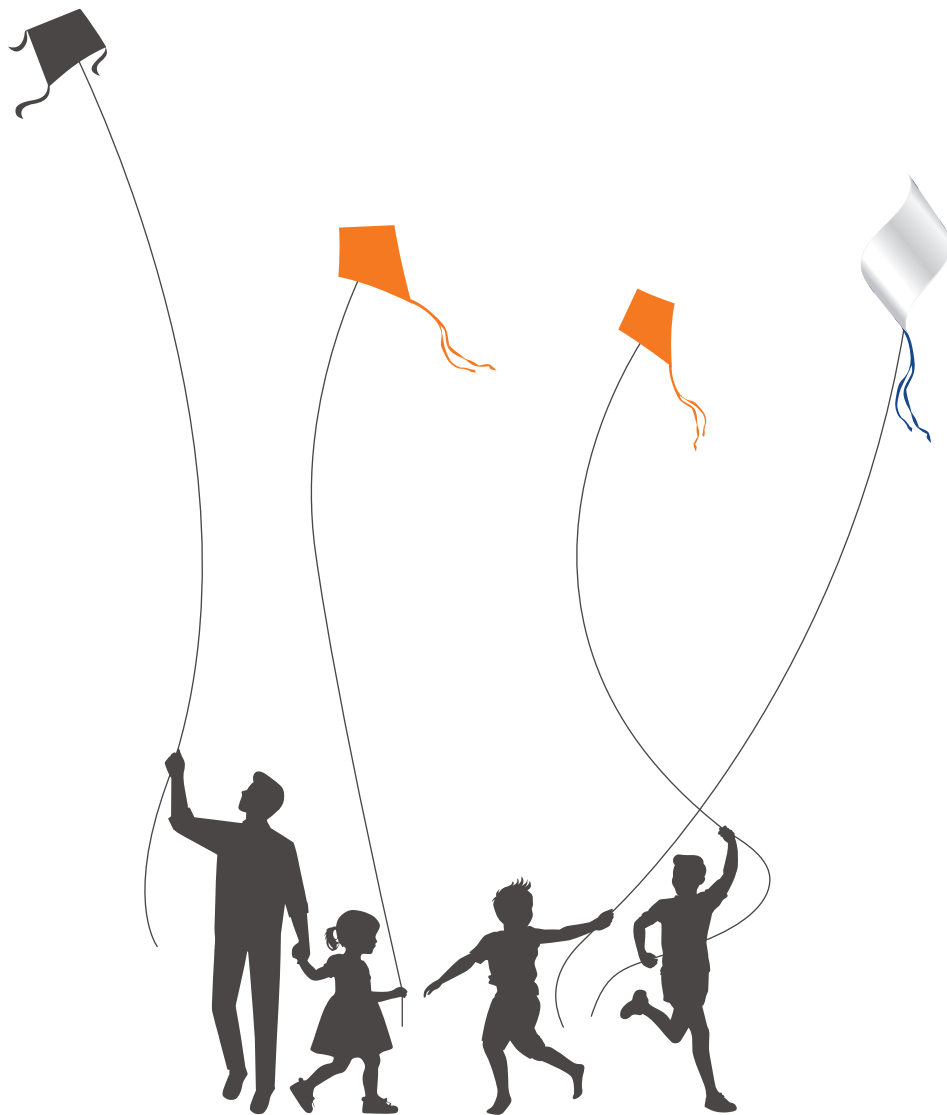


ANNUAL REPORT
PRESS RELEASE
2023



People first and foremost

March 12, 2024

Net profit in 2023: NIS 4,910 million
Compared to NIS 4,472 million in 2022
Increase of 9.8%

Return on equity in 2023: 19.1%
Compared to 20.1% in 2022*

Cost Income Ratio: 37.7%
Compared to cost income ratio of 45.2% in 2022*

Financing revenues from current operations:
NIS 11,679 million
Compared to NIS 9,455 million in 2022
Increase of 23.5%

Dividend distribution of NIS 209.4 million
20% of the profit in the fourth quarter of 2023

Total dividend with respect to 2023 earnings –
NIS 1,274 million

* Excluding capital gain from realized assets – return on equity in 2022: 19.0%; Cost-income ratio: 46.4%

For additional information, Bank Spokesman: 03-7559227 shoukron_b@umtb.co.il

Consistent multi-year growth in Bank operations

Despite the considerable challenges faced by the Israeli economy throughout this year, and in particular in the fourth quarter, given the Iron Swords War and its implications in various aspects of life around the country even to this day – over five months since the outbreak of the war, Mizrahi Tefahot Bank presented record results in 2023, headlined by revenues of NIS 14,780 million, net profit of NIS 4,910 million and return on equity of 19.1%. The results reflect a continued growth of Bank operations and key balance sheet items, compared to 2022 and previous years.

Thus, for example, at year end total loans to the public amounted to NIS 325.3 billion, compared to NIS 307.5 billion at end of 2022, an increase of 6%; deposits from the public amounted to NIS 358.5 billion on December 31, 2023, compared to NIS 344.5 billion on December 31, 2022, an increase of 4%; and shareholders' equity increased to NIS 27.5 billion, compared to NIS 23.8 billion at end of 2022, an increase of 15.5%.

Expansion of Bank operations is also evident in multi-annual data. From 2019 to 2023, the Bank recorded average annual growth of 11.0% in loans to the public, 12.5% in deposits from the public and 13.5% in shareholders' equity.

Higher expenses with respect to credit losses due to the war and higher risk in the market

Expenses with respect to credit losses of the Bank amounted to NIS 1,463 million in 2023, compared to expenses with respect to credit losses amounting to NIS 532 million in the corresponding period last year.

The increase in provisions in 2023, and in particular in the third quarter of this year, is mostly due to a group-based provision recognized in order to reflect the increased risk in the market, in view of the Iron Swords War which broke out early in the fourth quarter. It is worth noting that, to date, no material indications of this increased risk have been observed at the Bank.

The increase in expenses with respect to credit losses in 2023 was also due to growth in Bank's loan portfolio and to higher risk in the market, primarily due to the higher interest rates.

Extensive banking benefits, charitable donations and volunteer activities

Since the October 7 attack, the Bank has been leading an extensive effort to support and to provide assistance to wide circles of customers, residents in conflict areas and military personnel. In this regard, banking benefits worth tens of millions of NIS were granted relating to mortgages and current accounts, and as response to businesses in the South and in the North, further tens of millions of NIS were allocated to charitable donations and adoption of Sderot and Kfar Aza, and hundreds of Bank employees took part in volunteer activities and in supporting population – mostly from evacuated towns, military reserve soldiers and wounded military personnel.

Moshe Lari: Bank results in 2023 reflect our success to maintain growth along with extensive support for our customers in view of the difficulties and challenges

"2023 shall be remembered as one of the toughest, most complicated years the State of Israel has ever known. The Iron Swords War, which was forced upon us by the surprise attack on October 7, and even prior to that – the fierce internal controversy on judicial matters, created enormous challenges at the individual and national level which have and still continue to impact our social, economic and security strength.

The Mizrahi-Tefahot family yearns for the quick and safe return of all hostages and of our brave soldiers, for full recovery of all those wounded and sends our condolences to the bereaved families.

Despite the challenging times, the Bank succeeded to continue growing, with further growth in revenues and across most of the balance sheet items. Consequently, net profit increased to a record NIS 4,910 million, reflecting 19.1% return on equity – a remarkable achievement, primarily due to our dedicated, committed and high-quality employees with which we have been blessed at Mizrahi-Tefahot. I wish to take this opportunity to thank each and every one of our employees and managers for their significant contribution to the Bank's success over many years.

After a decade of near-zero real interest rates, in 2022 we saw the start of an upward trend in market interest rates, reaching a record of 4.75% in May 2023. In early 2024, the Bank of Israel reduced its interest rate by 0.25%, to 4.5%, but still the relatively sharp increase in interest rates within one year posed a significant challenge to many customers, households and businesses, who saw their financing costs rise significantly. This was in addition to the challenging reality of the higher cost of living and economic and security uncertainty.

Willing to help our customers address this complex reality, the Bank launched this year several pro-consumer initiatives, including, inter alia, paying interest on balances in current accounts, reduced interest on debit balances and a special monetary bonus to mortgage holders. This was in addition to creating customized solutions for mortgage customers, who saw their monthly payments increase significantly due to the rising interest rates. Immediately upon the outbreak of the Iron Swords War, the Bank intensified its support activity to many customers all across Israel, residents in the conflict areas in the South and North and military reserve personnel that own businesses. Moreover, hundreds of Bank employees took part in many volunteer activities for civilians and soldiers.

Mizrahi Tefahot will distribute a dividend amounting to NIS 209.4 million, 20% of the Bank profit in the fourth quarter of this year. This brings the total dividends with respect to 2023 profit to NIS 1,274 million", **said Bank President & CEO Moshe Lari.**

Mizrahi Tefahot Ltd.
Highlights of financial statements
As of December 31, 2023 – NIS in millions

Profit and profitability

	2023	All of 2022	Rate of Change in %
Total financing revenues before expenses with respect to credit losses	12,486	10,994	13.6
Commissions and other revenues	2,294	2,674	(14.2)
Total revenues	14,780	13,668	8.1
Expenses (income) with respect to credit losses	1,463	532	-
Operating and other expenses	5,569	6,173	(9.8)
Net profit attributable to shareholders of the Bank	4,910	4,472	9.8
Net profit attributable to shareholders of the Bank (fourth quarter)	1,047	1,087	(3.7)

Key balance sheet items

	December 31 2023	December 31 2022	Rate of Change in %
Loans to the public, net	325,346	307,472	5.8
Deposits from the public	358,553	344,514	4.1
Shareholders' equity (attributable to shareholders of the Bank)	27,461	23,780	15.5
Total assets	448,204	428,292	4.6

Key financial ratios (in percent)

	December 31 2023	December 31 2022
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Key performance benchmarks

Net profit return on equity:		
For the year	19.1	20.1
For the fourth quarter	15.5	18.5
Deposits from the public to loans to the public, net	110.2	112.0
Ratio of Tier I equity to risk components	10.32	9.94
Leverage ratio	5.83	5.42
Liquidity coverage ratio (Quarterly)	131	118
Cost-income ratio	37.7	45.2

Other information

Share price (in NIS) as of December 31	142.6	113.9
Dividends per share (in Agorot)	540	366



MIZRAHI TEFAHOT LTD.
Head office: 7 Jabotinsky st.
Ramat-Gan, 5252007
www.mizrahi-tefahot.co.il