

1Q23

# Quarterly Financial Review

◆ bank hapoalim



# Disclaimer

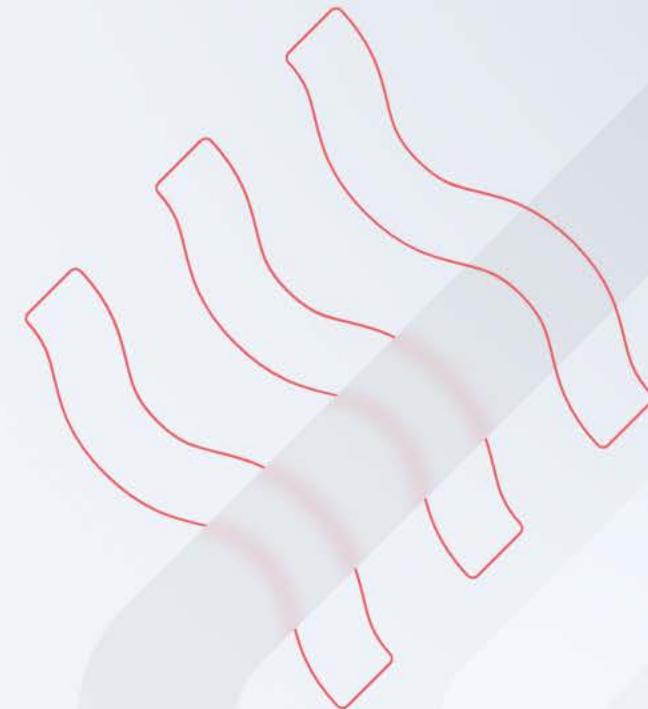
This presentation includes condensed information and selected data from Bank Hapoalim's 1Q23 annual financial results.

This presentation is not a substitute for the Bank's 1Q23 Annual Financial Statements, which include the full financial information, including forward-looking information. The financial statements are available on the Bank's website at [www.bankhapoalim.com](http://www.bankhapoalim.com) - Investor Relations/Financial Information.

Some of the information in this presentation that does not refer to historical facts constitutes forward-looking information, as defined in the Securities Law.

Forward-looking statements regarding the Bank's business, financial condition and results of operations, are subject to risks and uncertainties that may cause actual results to differ materially from those contemplated. Such forward looking statements, include, but are not limited to, product demand, pricing, market acceptance, changing economic conditions, risks in product and technology development and the effect of the Bank's accounting policies, as well as certain other risk factors detailed from time to time in the Bank's filings with the securities authorities.

Data relating to business segments is presented according to "operating segments based on management approach" as disclosed in note 28A in the bank's annual report.



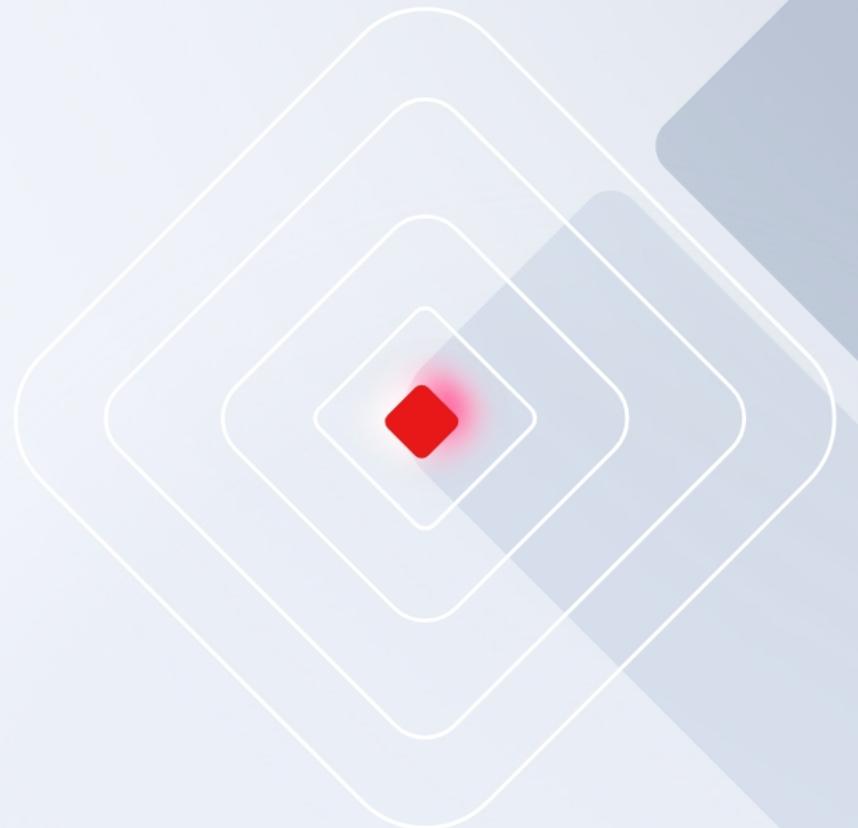


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## KEY MESSAGES

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# Outstanding first quarter results: leap in profitability, fortress balance sheet, and strict risk management culture

## Robust profitability & shareholder value

Leap in income due to continuous growth, NIM expansion, and restrained costs

**17.0%**<sub>1Q23</sub> **ROE**

Increase in div. payout ratio

**40%** of net profit

## Fortress balance sheet

Positioned to navigate uncertainty, with sound capital and liquidity metrics, well above regulatory requirements\*

**11.36%**<sub>1Q23</sub> **CET-1**

\*10.23%

**127%**<sub>1Q23</sub> **LCR**

\*100%

## Low-risk portfolio

Strong underwriting parameters reflect our prudent risk management approach

**46%** **Avg. LTV** of housing loans

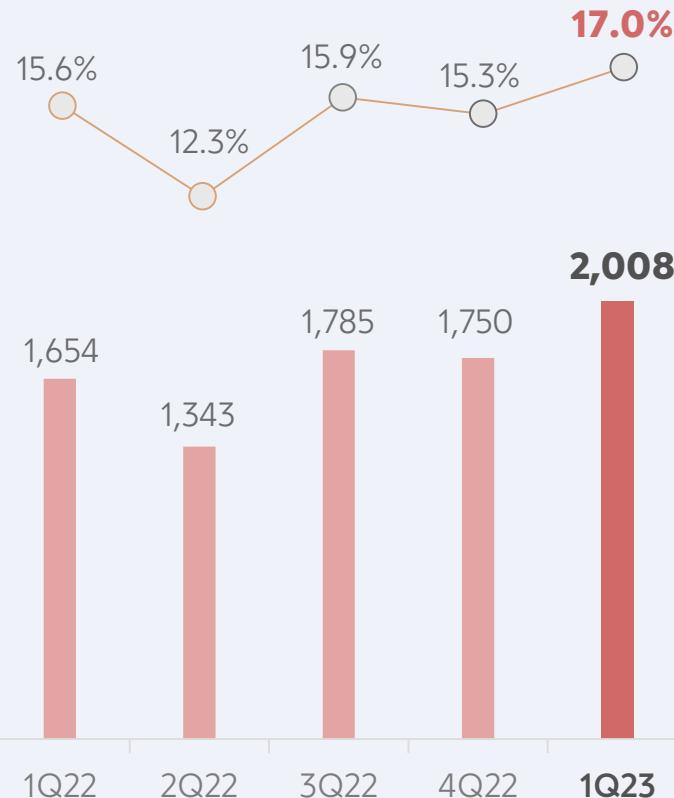
**99%** of real estate under construction

will not cause losses if prices drop by up to 25%

# Leap in the bank's profitability

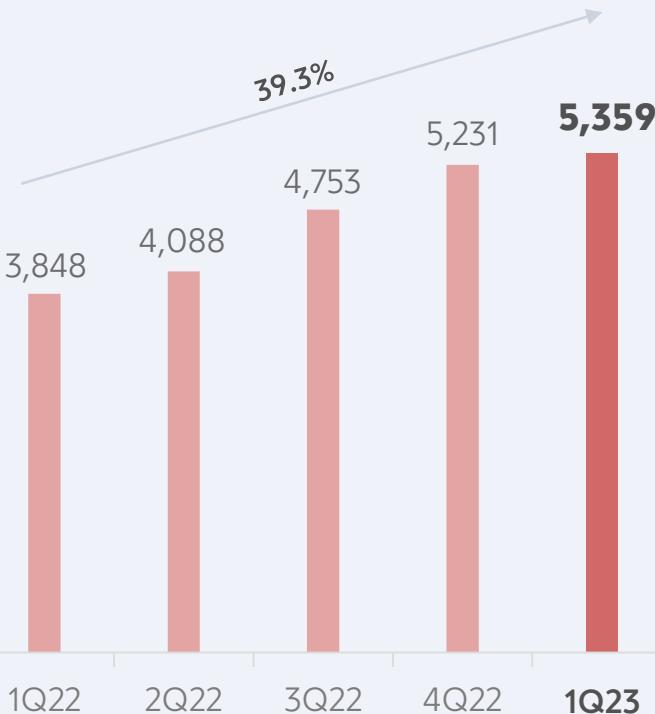
## Net profit & ROE

NIS million



## Total income

NIS million



## Cost-income ratio



■ Robust profitability

# Fortress balance sheet; substantial buffers in place

## CAPITAL

CET-1 capital ratio  
**11.36%**

vs. min. regulatory req. of 10.23%  
and min. internal target of 10.5%

Leverage ratio  
**6.53%**

vs. current min. regulatory  
req. of 5.5% (under relief)

## LIQUIDITY

LCR  
**127%**      NSFR  
**127%**

Above regulatory  
requirement of 100%

LDR  
**75%**      Retail  
deposits  
**59%**

## CREDIT QUALITY

NPL ratio  
**0.85%**

NPL coverage ratio  
**166%**

Balance of allowance  
to total credit\*  
**1.65%**

\* Allowance in respect of loans,  
including off balance sheet items

# Strict and responsible risk-management approach

## Credit portfolio

NIS billion



Lower credit growth, in line with macroeconomic developments

## Real estate portfolio breakdown and risk parameters (in Israel)



### 99% of real estate under construction

Can absorb a price drop of up to 25% without causing the bank a loss

### 1.95% Allowance to loans in the real estate sector

Sound buffers for any negative development

## Housing loans

**46%**

Average **LTV** of housing loans

**Only 0.06%** 2020-1Q23 Avg.

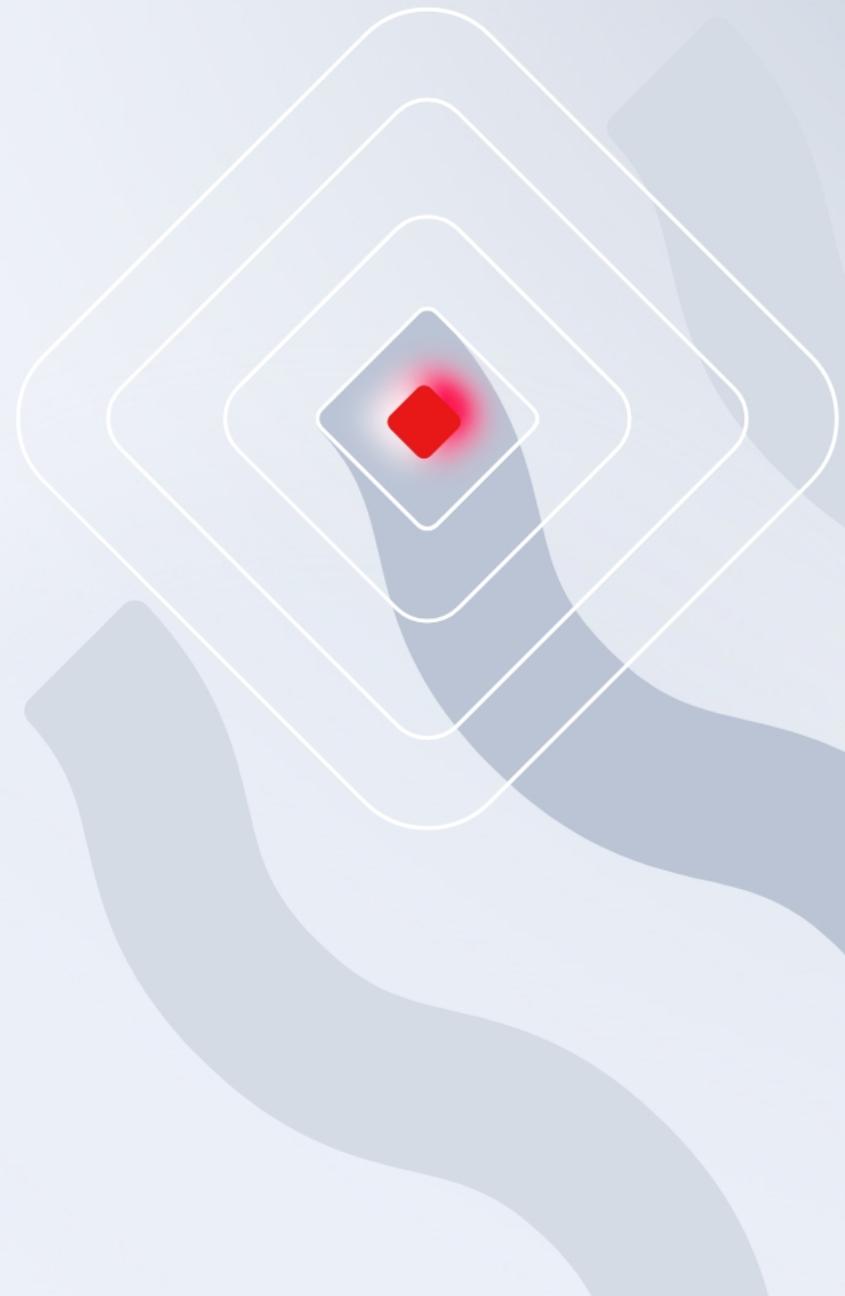
**Credit loss expenses** in the housing loans sector



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# MACROECONOMIC REVIEW & 1Q23 RESULTS



# A more challenging growth environment ahead

## Slower growth amid tighter monetary conditions

Real GDP growth, seasonally adjusted annual rate



Source: CBS

## New home sales fell

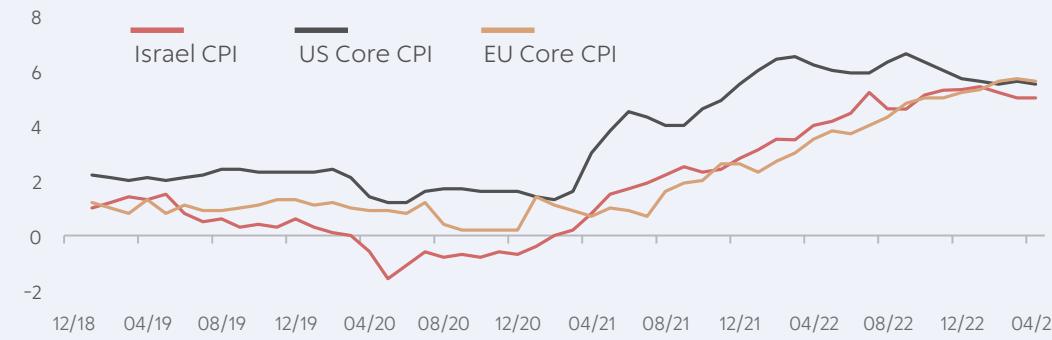
New home sales, units per-month



Source: CBS

## Inflation converges on US and EU levels

Year-on-year rate of change



Source: Bloomberg

## Markets imply more gradual rate cuts in Israel

Implied rates

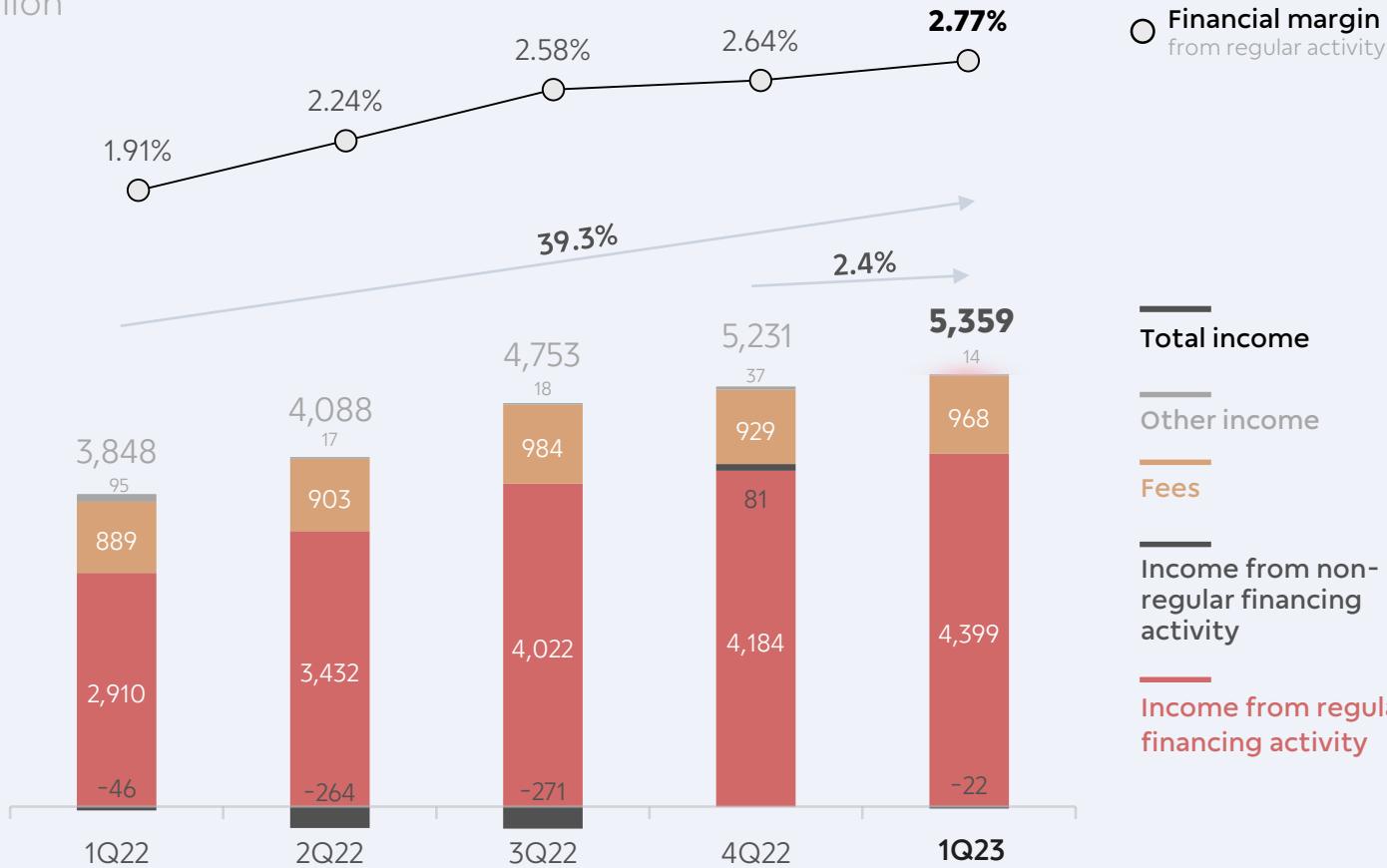


Source: Bloomberg

# Revenue momentum quarter by quarter; further growth in margins

## Total income

NIS million



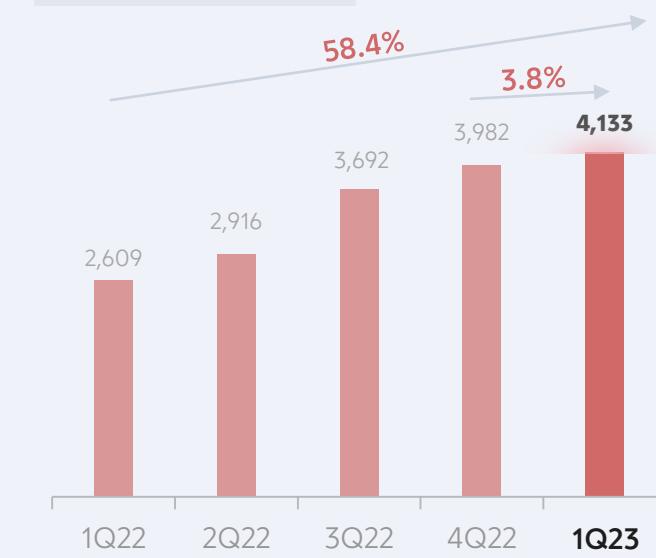
## Income from regular financing activity excl. CPI

NIS million

CPI contribution in 1Q23

**266**

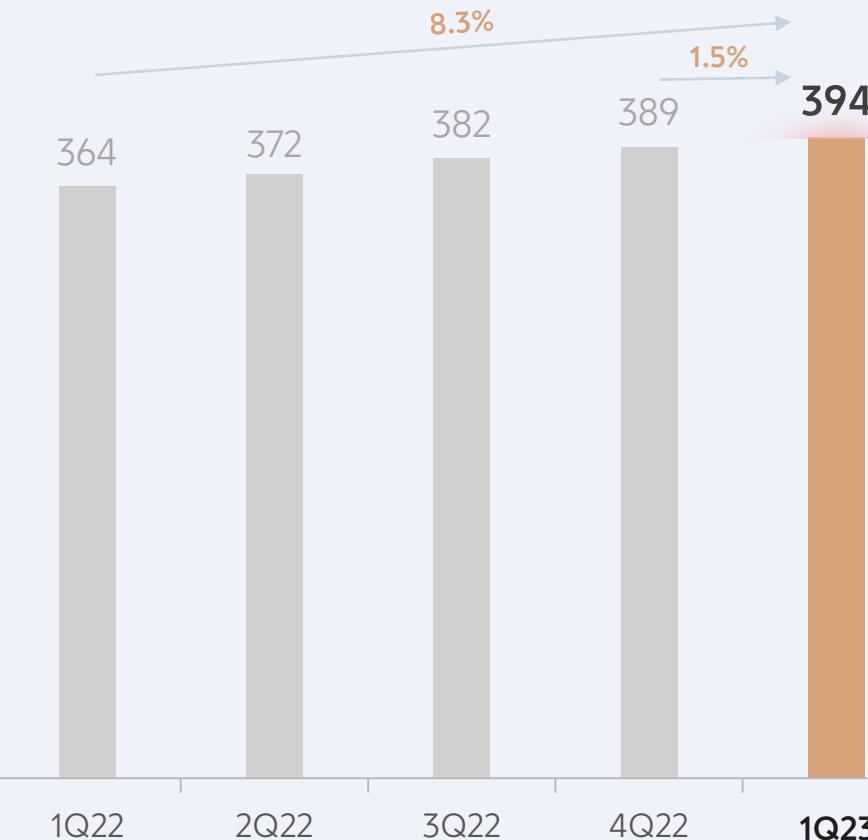
NIS million



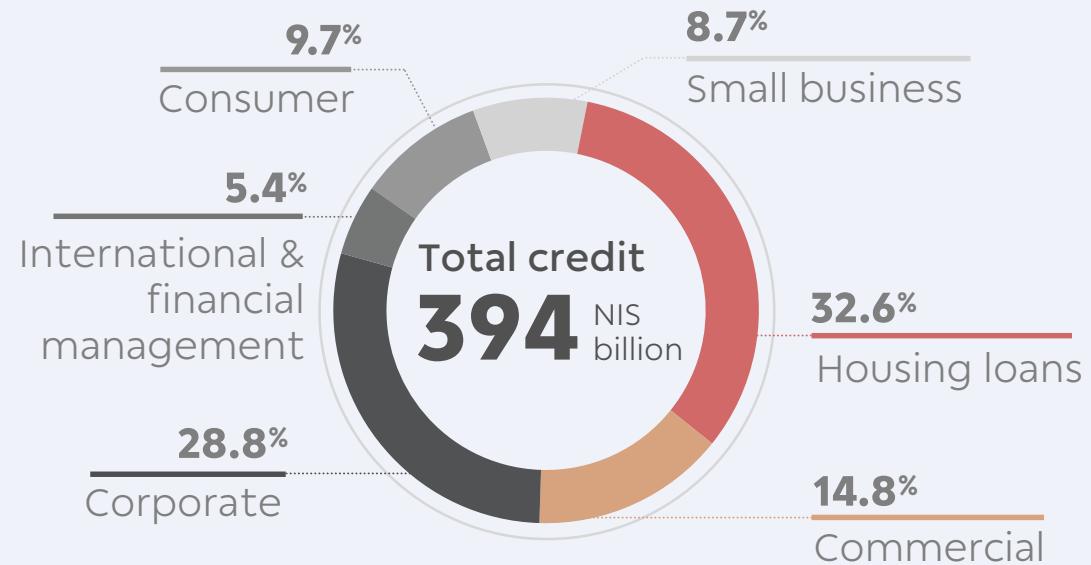
# Responsible credit growth; pace aligned to the changing environment

## Credit portfolio

NIS billion



## Well-diversified credit portfolio



# Credit growth in line with sector dynamics

NIS billion

## Total credit



## Corporate



## Commercial



## Consumer



## Mortgages

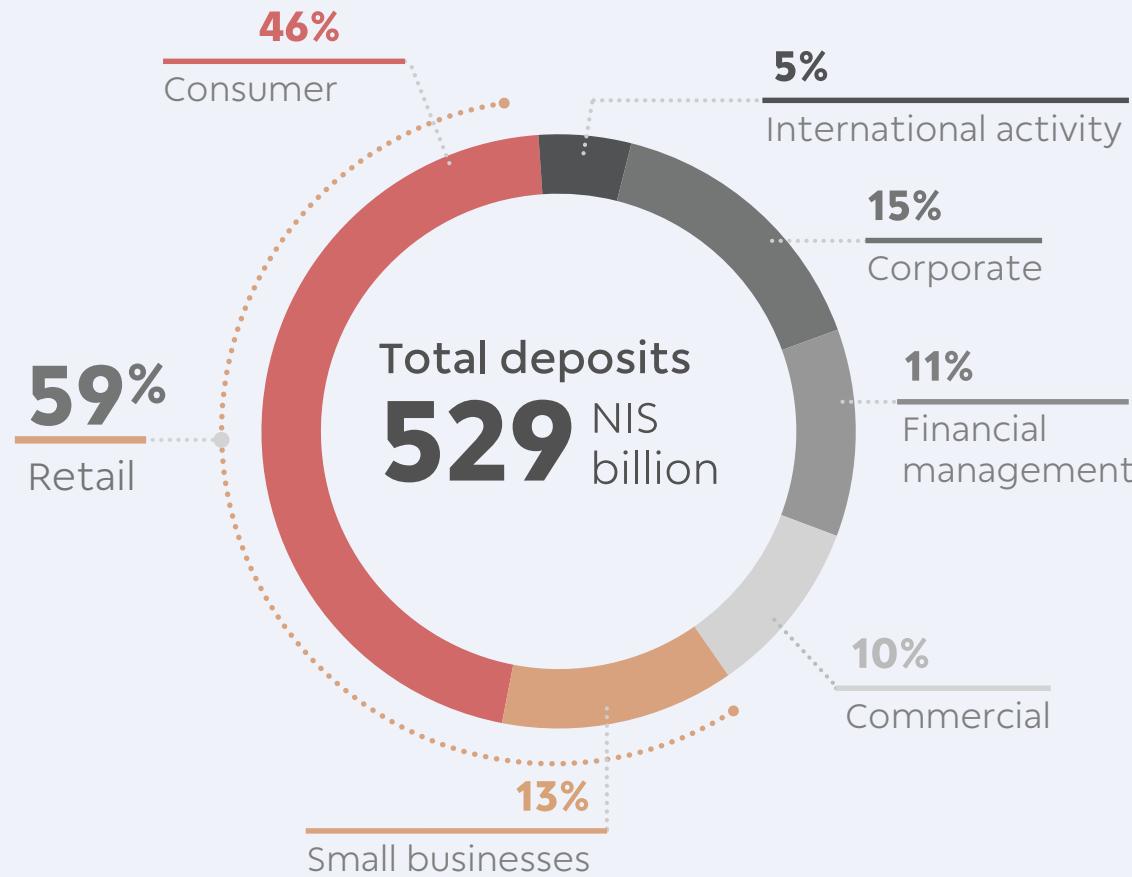


## Small business



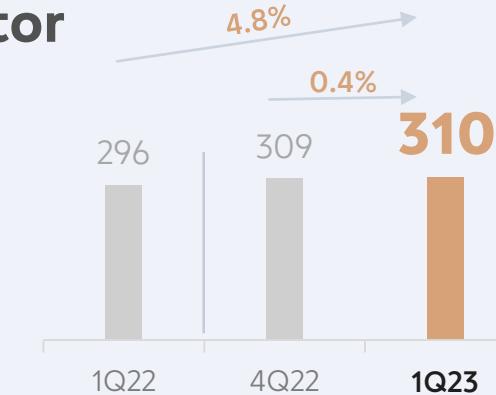
# Our largest-in-industry retail deposit base provides a competitive advantage

## Deposit base



## Largest retail deposit Base in the sector

NIS billion



**32%** Non-interest bearing deposits of total deposits

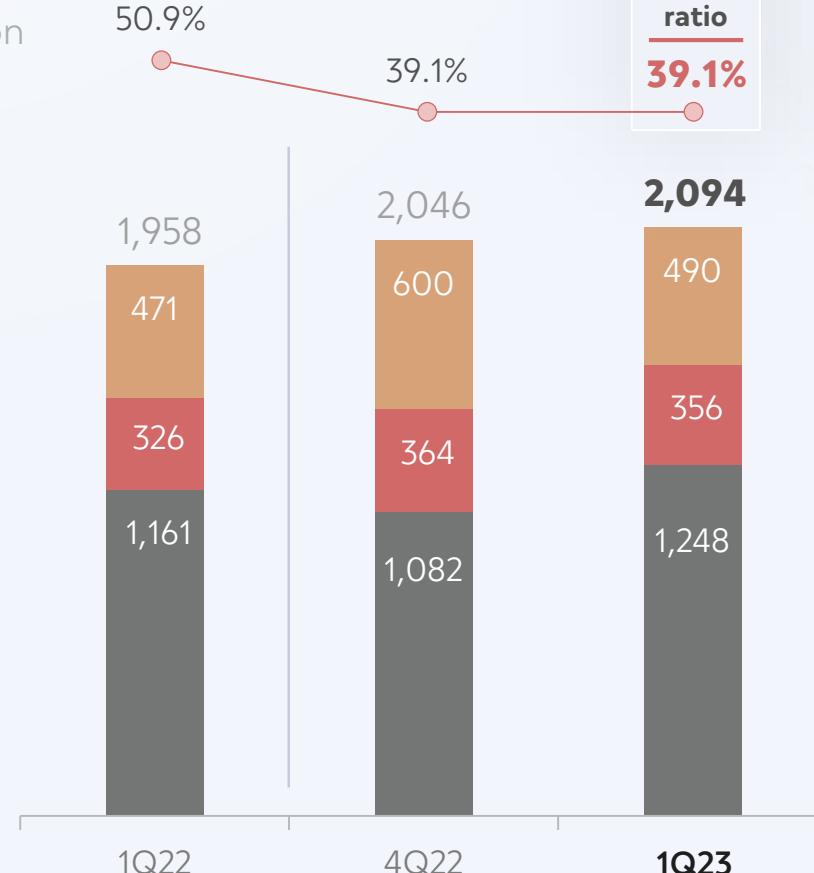
**LCR****127%****NSFR****127%**

Above regulatory requirement of 100%

# Strong efficiency indicators; continued trend of positive jaws

## Total expenses

NIS million

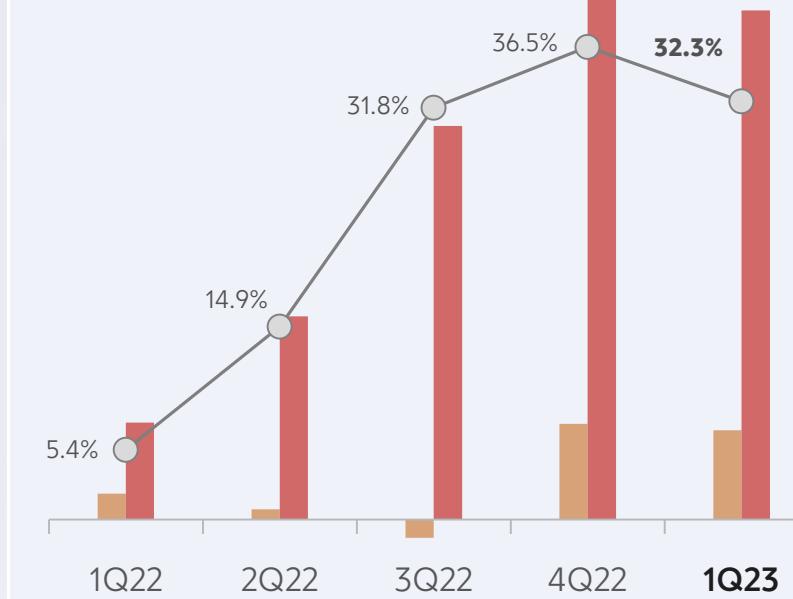


## Jaws ratio

YoY change in total income

YoY change in total expenses

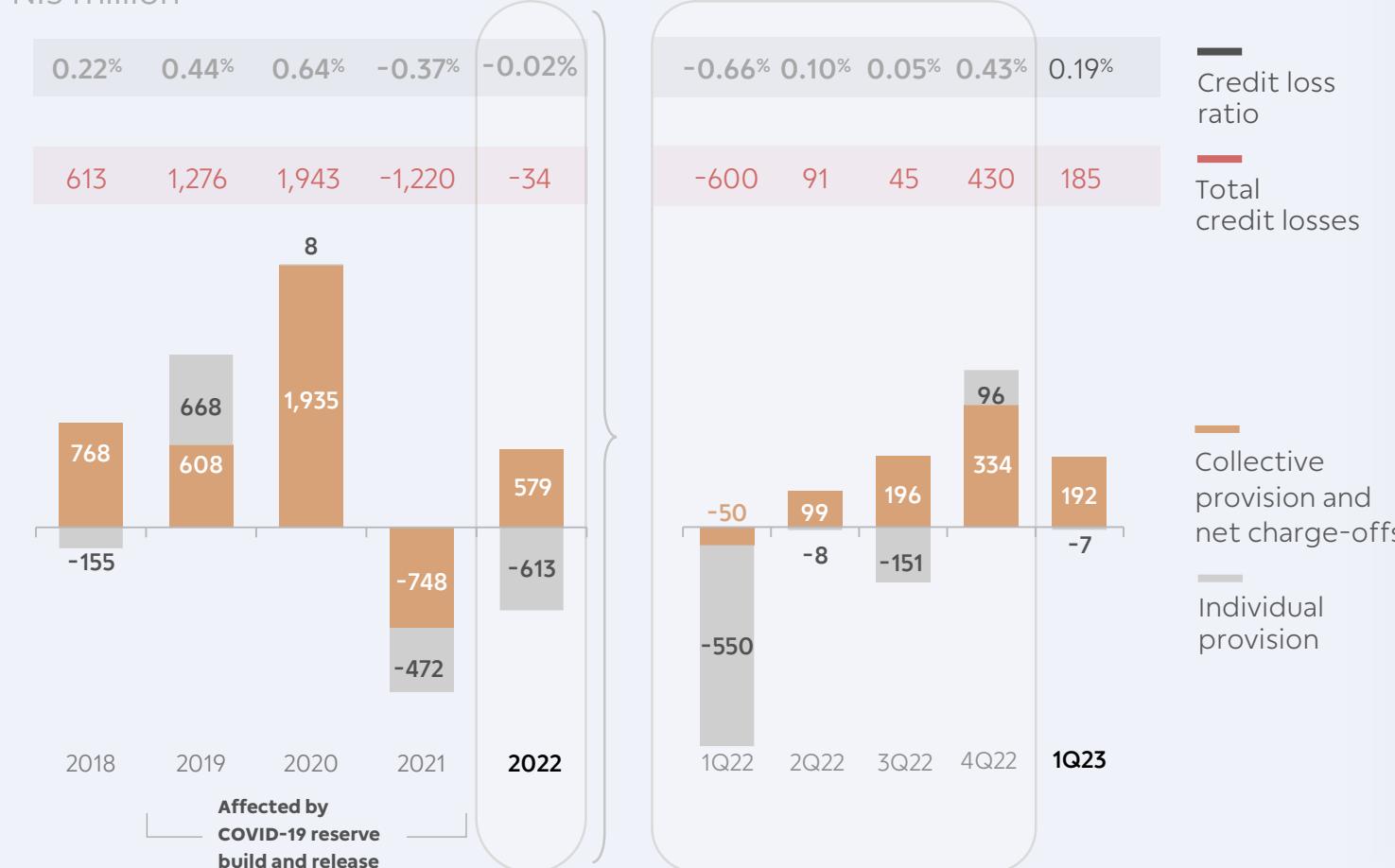
Jaws ratio



# Continuing to increase collective allowance to reflect potential macro effects and uncertainties

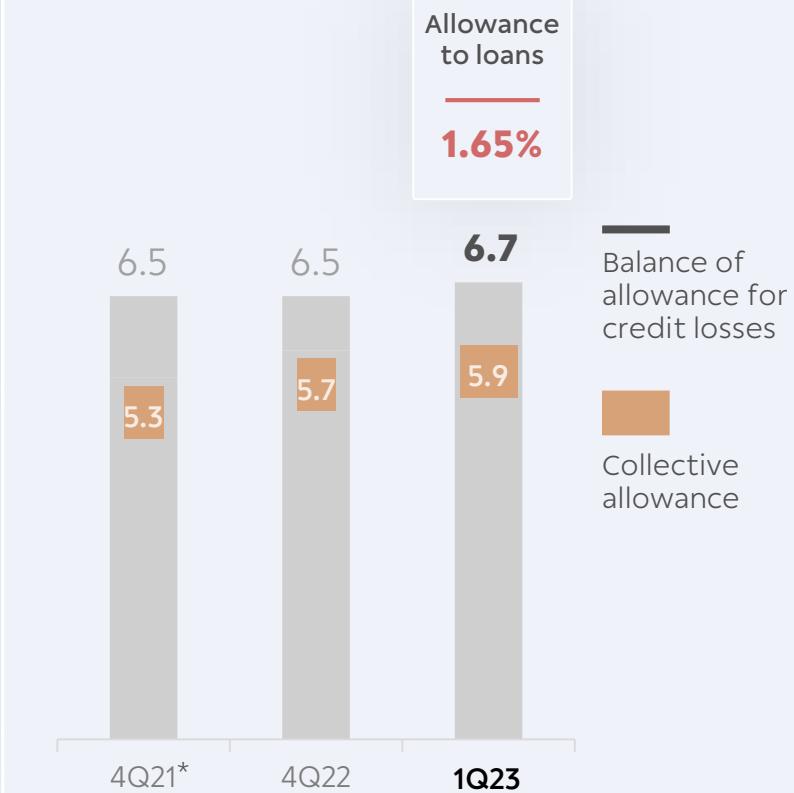
## Provision for credit losses

NIS million



## Allowance for credit losses

NIS billion



# Robust capital buffers allow for an increase in dividend payout ratio

## CET-1 capital ratio development



## Increase in dividend payout ratio

**40% dividend**

in respect of 1Q23 profits

**803**

NIS million

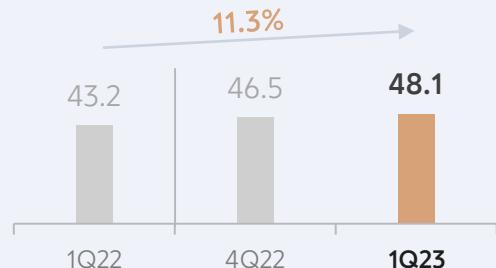
## Dividend in LTM

Dividend declared **2.3**  
NIS billion

Dividend yield\*\* **5.2%**

## Strong growth in shareholder's equity

NIS billion



## Total capital ratio

**14.53%**

vs. min. regulatory req. of 13.5%

## Leverage ratio

**6.53%**

vs. current min. regulatory req. of 5.5% (under relief\*)

\* Relief valid until December 31, 2023. The minimum regulatory requirement pre-relief is 6%. \*\* Calculated as the dividend per share paid or declared in the last twelve months, including in respect of 1Q23, divided by share price on the record date of each distribution or declaration. Note: For additional information regarding capital requirements, refer to note 9 in the 1Q23 report.

## 1Q23 key takeaways

**Leap in the bank's profitability.**  
**record profit of NIS 2 billion;**  
**ROE of 17.0%**

**Fortress balance sheet** with strong buffers of capital, liquidity and credit loss reserve

**Low risk portfolio** due to prudent underwriting culture. Further increase in collective allowance

**Continuous growth in income,** supported by the ongoing growth in business activity and a high contribution of the increase in rates and CPI

**Cost-to-income 39.1%;** substantial positive jaws

Robust capital buffers allowed for an **increase in dividend payout ratio to 40%;** Dividend in respect of the first quarter amounted to **NIS 803 million**



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# Appendix

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## Key balance sheet items

NIS million

Year ended	1Q22	4Q22	1Q23
Cash on hand and deposits with banks	178,317	133,424	<b>95,918</b>
Securities	68,604	107,400	<b>137,338</b>
Net credit to the public	364,257	388,727	<b>394,399</b>
Deposits from the public	519,776	532,588	<b>528,897</b>
Deposits from banks	11,370	8,696	<b>9,284</b>
Bonds and subordinated notes	27,411	26,866	<b>26,417</b>
Shareholders' equity	43,230	46,502	<b>48,115</b>
<b>Total balance sheet</b>	<b>637,625</b>	<b>665,353</b>	<b>666,665</b>

**Note:** For a full balance sheet analysis, please refer to the bank's financial statements for 1Q23.

## Key balance sheet items

NIS million

Year ended	1Q22	4Q22	1Q23
Total net financing profit	2,864	4,265	4,377
Fees and other income	984	966	982
<b>Total income</b>	<b>3,848</b>	<b>5,231</b>	<b>5,359</b>
Wages	(1,161)	(1,082)	(1,248)
Maintenance and depreciation of buildings and equipment	(326)	(364)	(356)
Other expenses	(471)	(600)	(490)
<b>Total operating and other expenses</b>	<b>(1,958)</b>	<b>(2,046)</b>	<b>(2,094)</b>
Provision for credit losses	6,00	(430)	(185)
<b>Profit before taxes</b>	<b>2,490</b>	<b>2,755</b>	<b>3,080</b>
Provision for taxes on profit	(862)	(1,015)	(1,089)
<b>Net profit</b>	<b>1,654</b>	<b>1,750</b>	<b>2,008</b>
<b>ROE</b>	<b>15.6%</b>	<b>15.3%</b>	<b>17.0%</b>

For a full profit and loss analysis, please refer to the bank's financial statements for 1Q23.

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financial institution

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