

1Q23

Quarterly Financial Review



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 - 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.

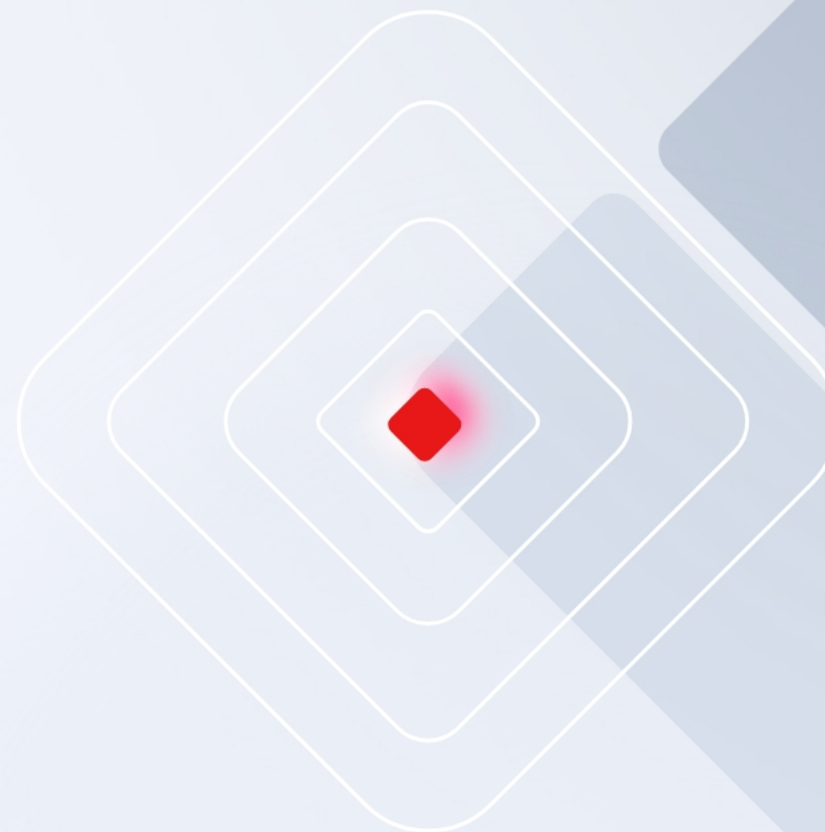




1Q23 Quarterly Financial Review

KEY MESSAGES

1Q
23



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%_{1Q23} **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%_{1Q23} **CET-1**
*10.23%

127%_{1Q23} **LCR**
*100%

Low-risk portfolio

Strong underwriting parameters reflect our prudent risk management approach

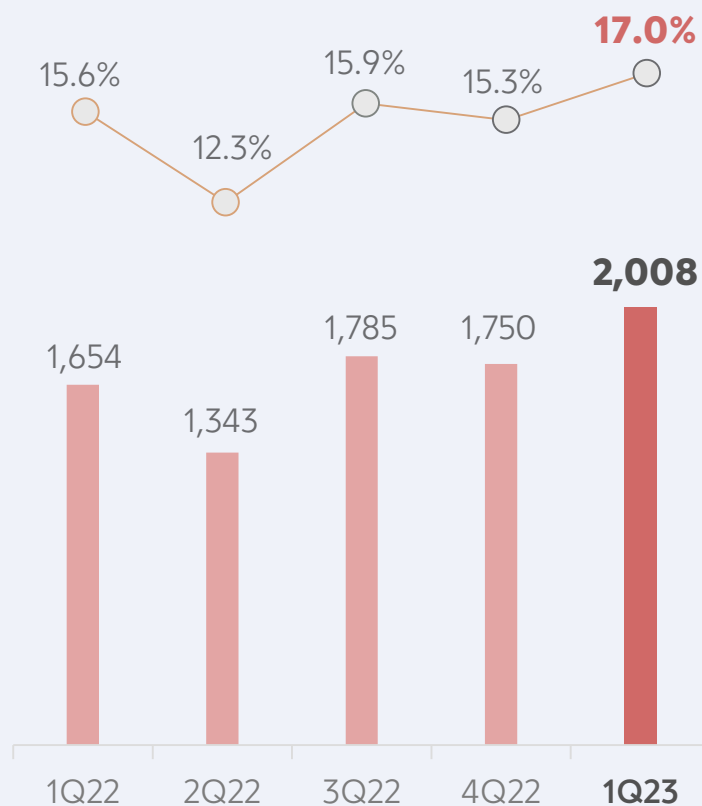
46% **Avg. LTV** of housing loans

99% of real estate under construction
will not cause losses if prices drop by up to 25%

Leap in the bank's profitability

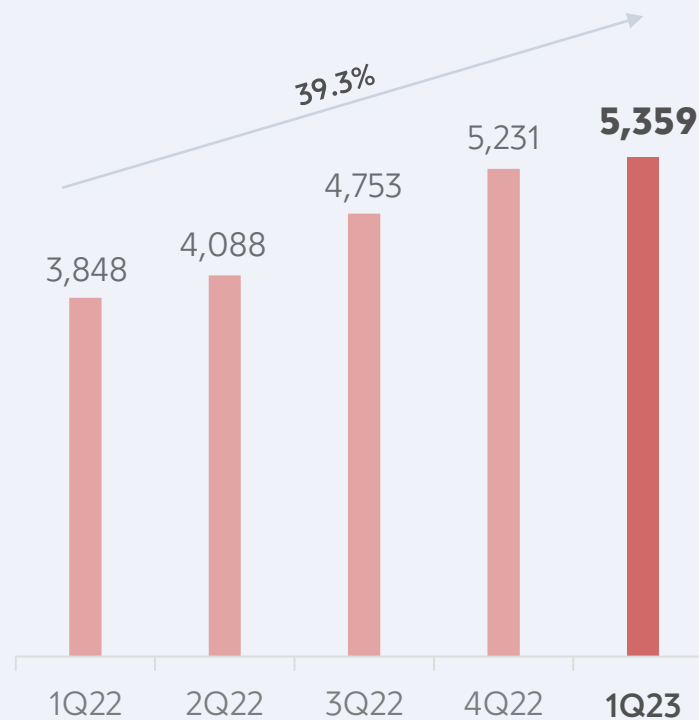
Net profit & ROE

NIS million

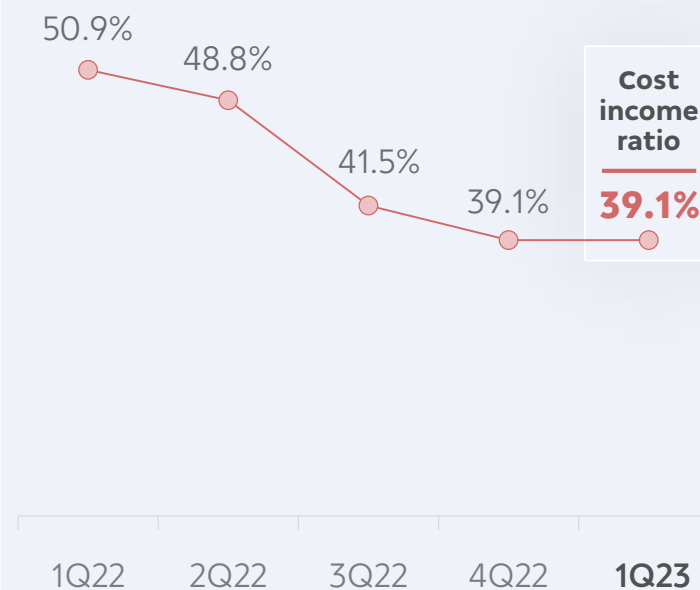


Total income

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%

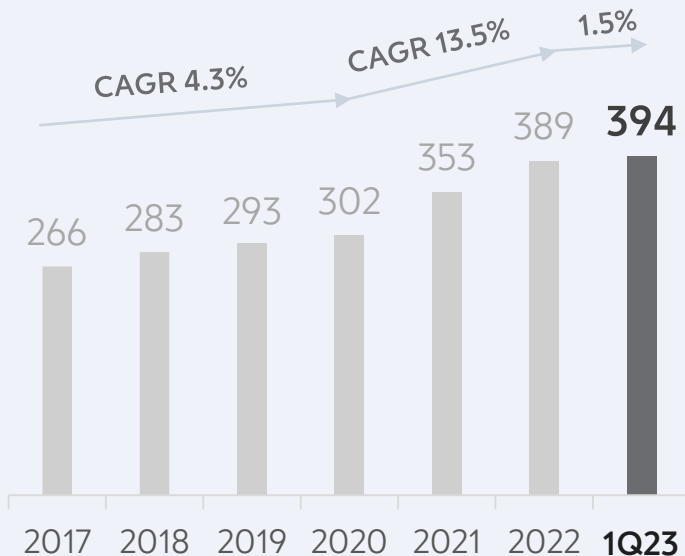
Balance of allowance
to total credit*
1.65%

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

Strict and responsible risk-management approach

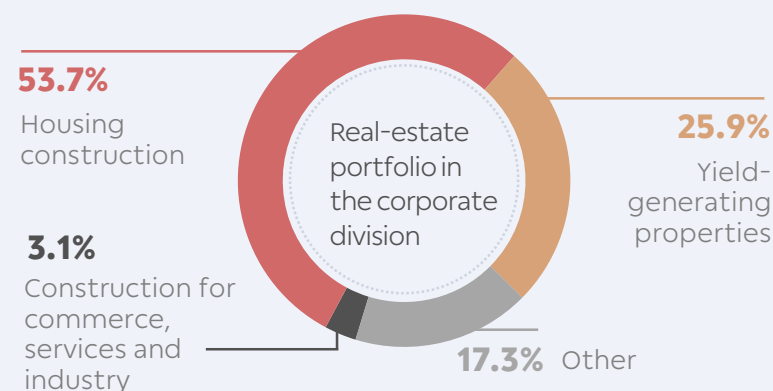
Credit portfolio

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.

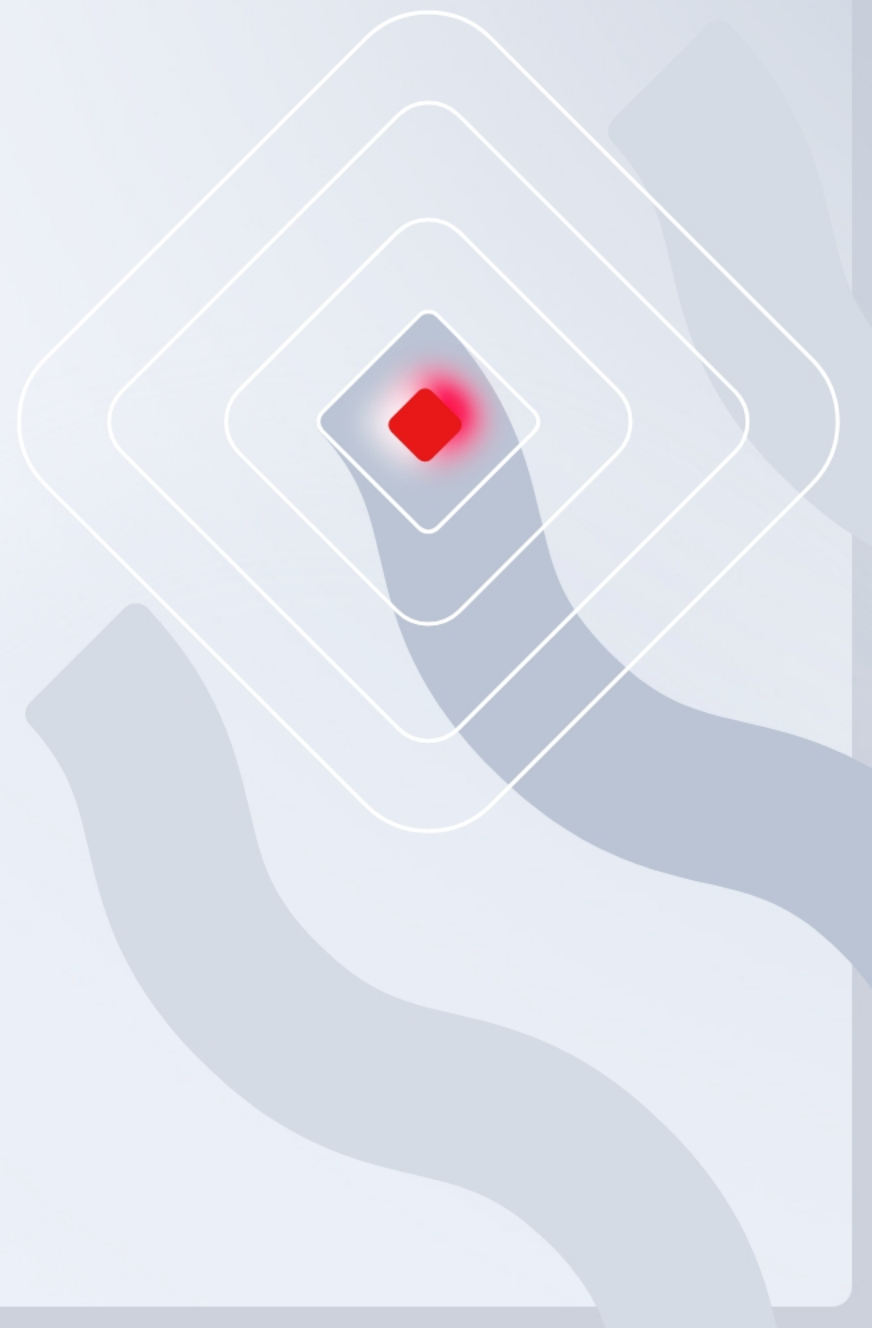
Credit loss expenses in the housing loans sector



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MACROECONOMIC REVIEW

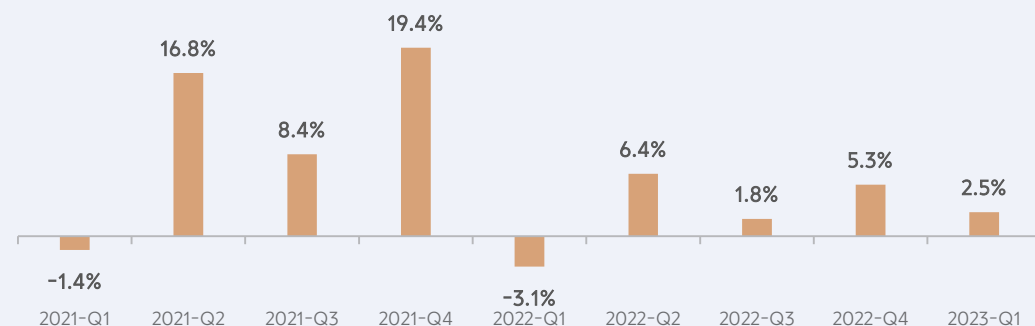
& 1Q23 RESULTS



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

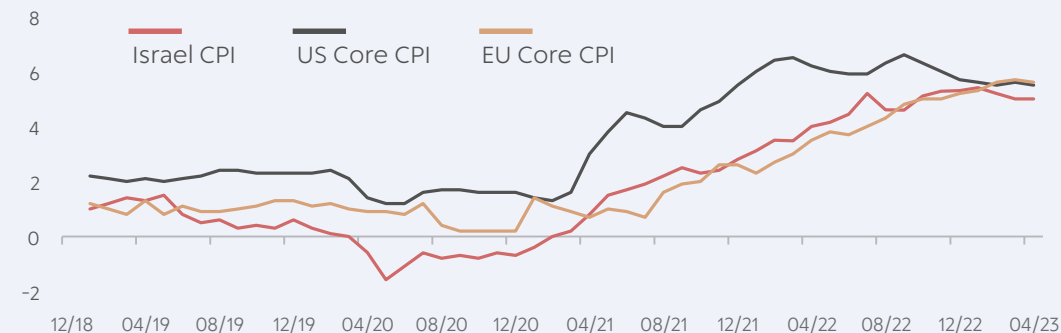
New home sales, units per-month



Source: CBS

Inflation converges on US and EU levels

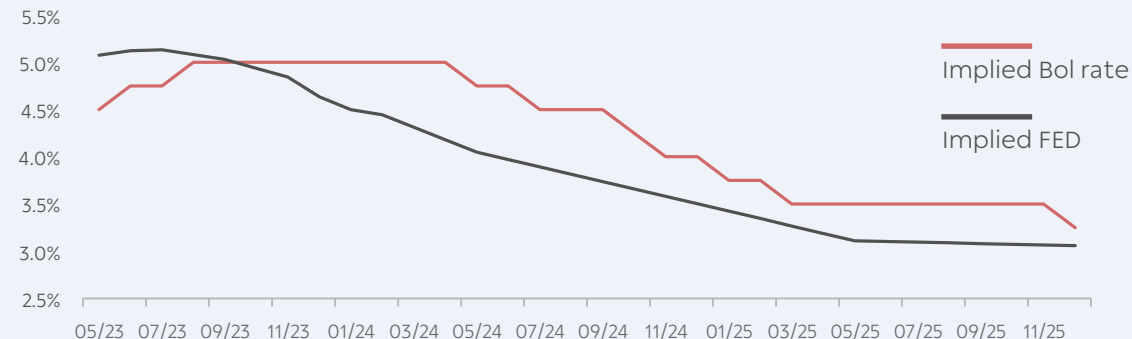
Year-on-year rate of change



Source: Bloomberg

Markets imply more gradual rate cuts in Israel

Implied rates

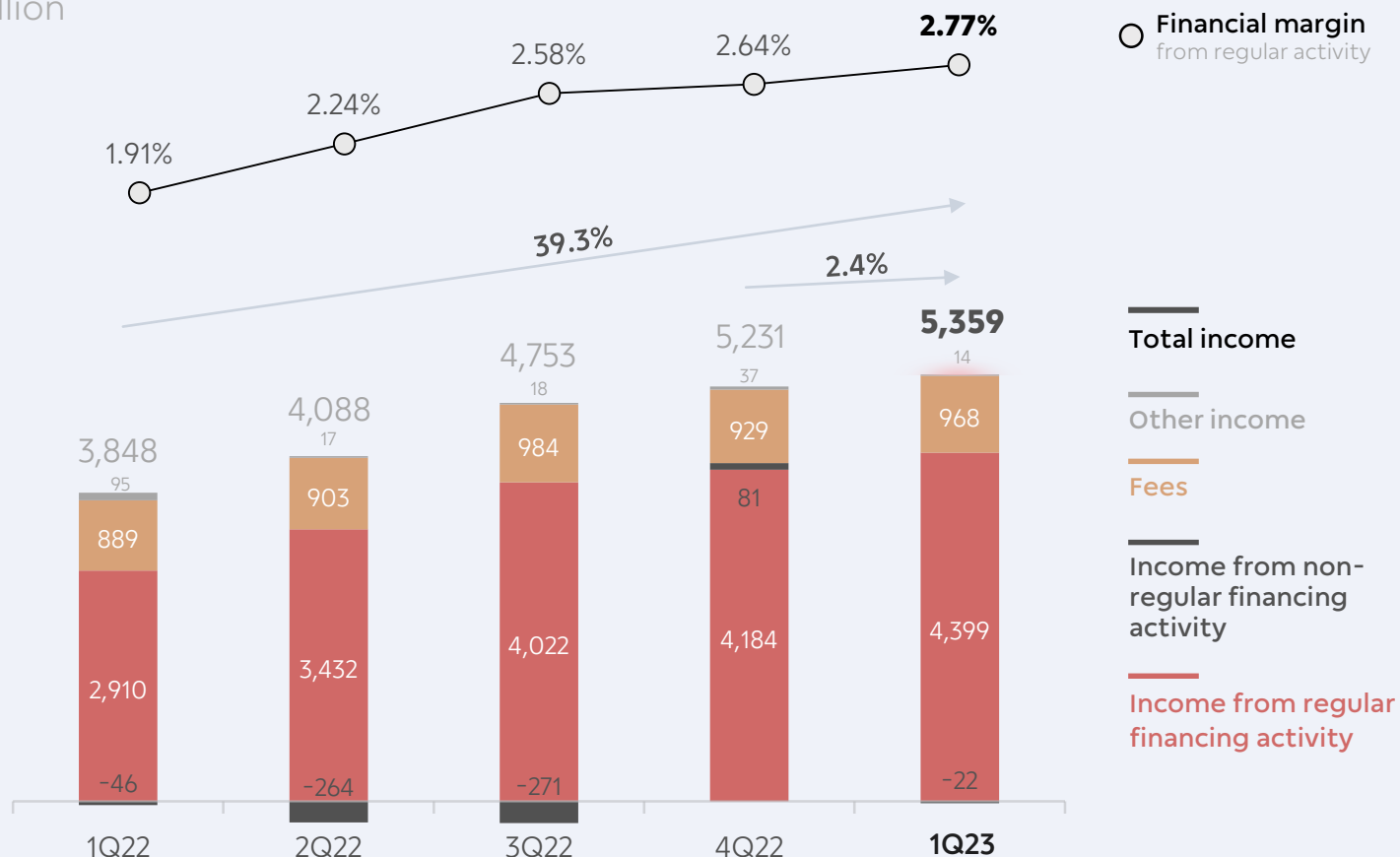


Source: Bloomberg

Revenue momentum quarter by quarter; further growth in margins

Total income

NIS million



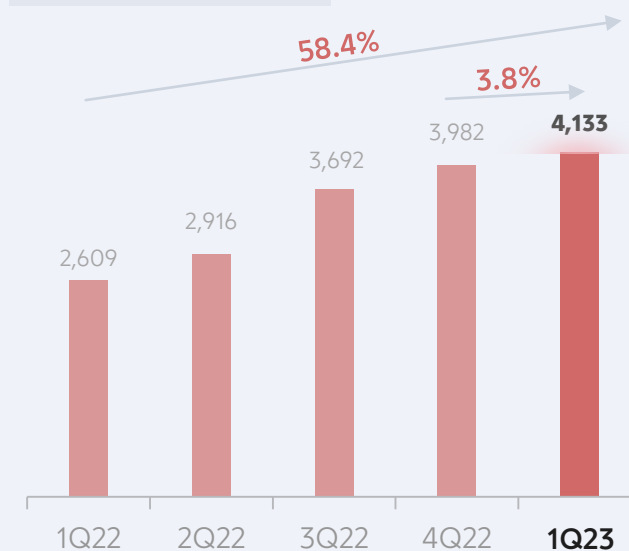
Income from regular financing activity excl. CPI

NIS million

CPI contribution in 1Q23

266

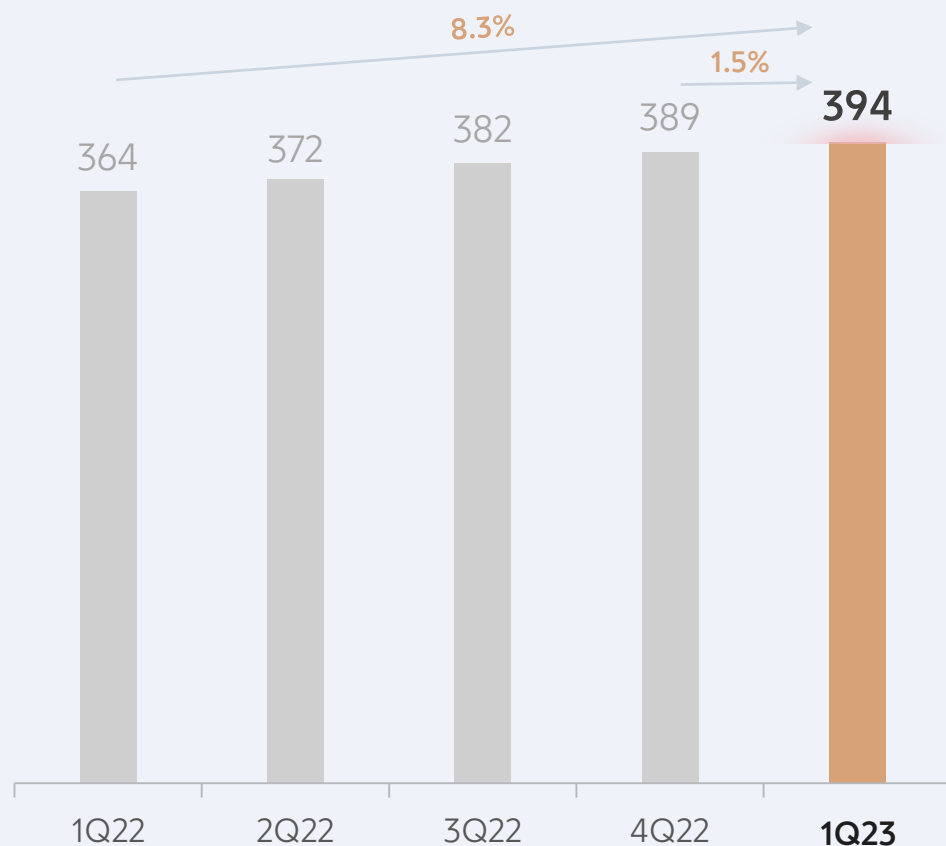
NIS million



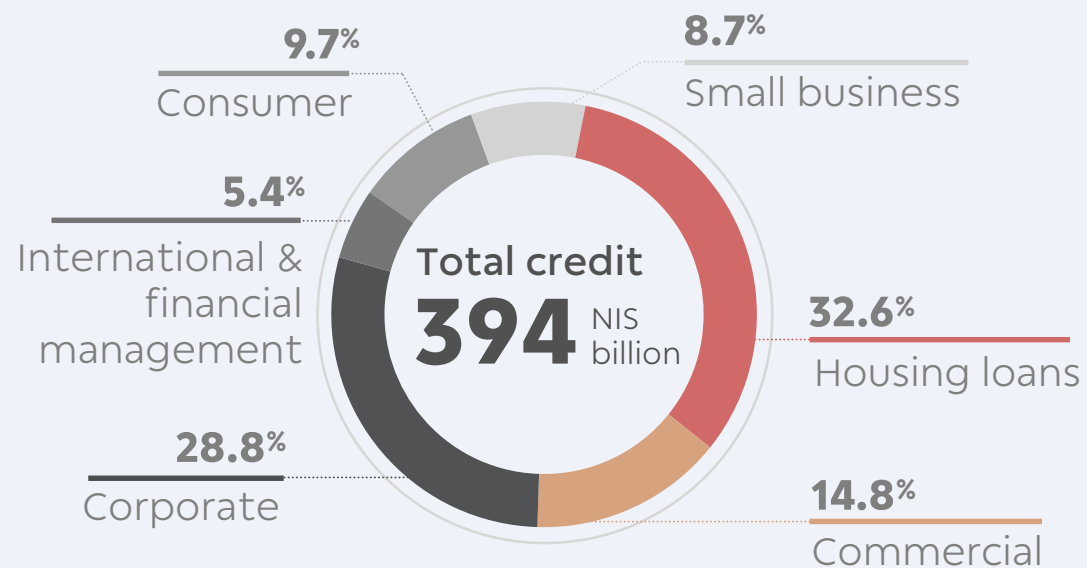
Responsible credit growth; pace aligned to the changing environment

Credit portfolio

NIS billion



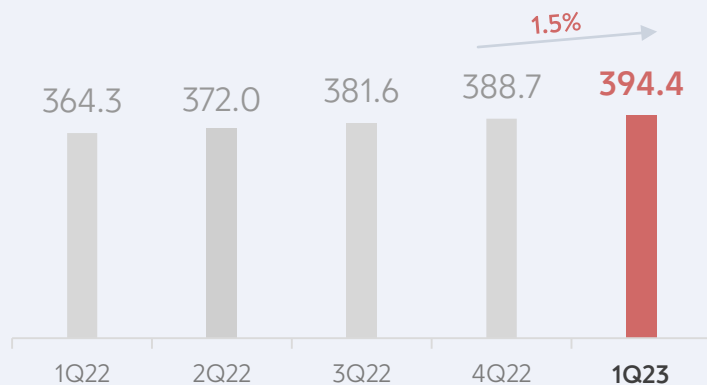
Well-diversified credit portfolio



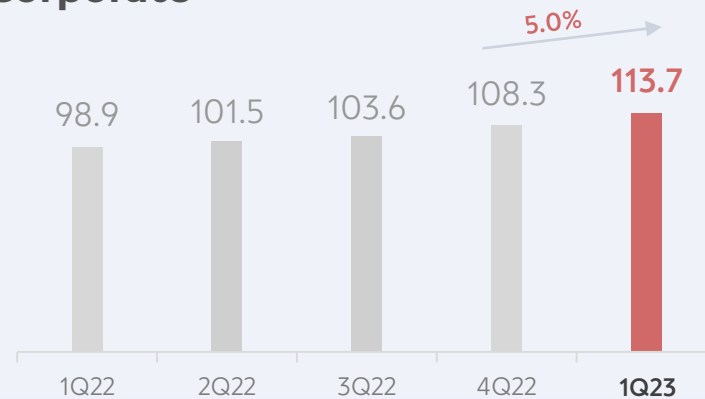
Credit growth in line with sector dynamics

NIS billion

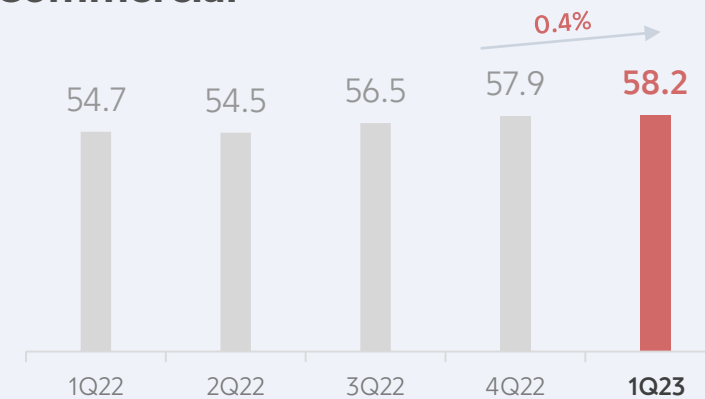
Total credit



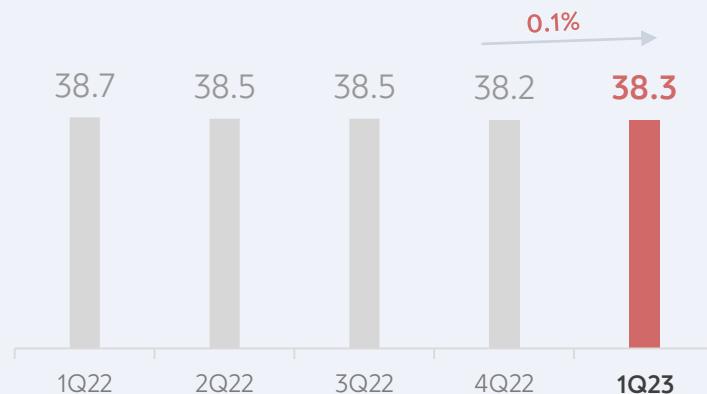
Corporate



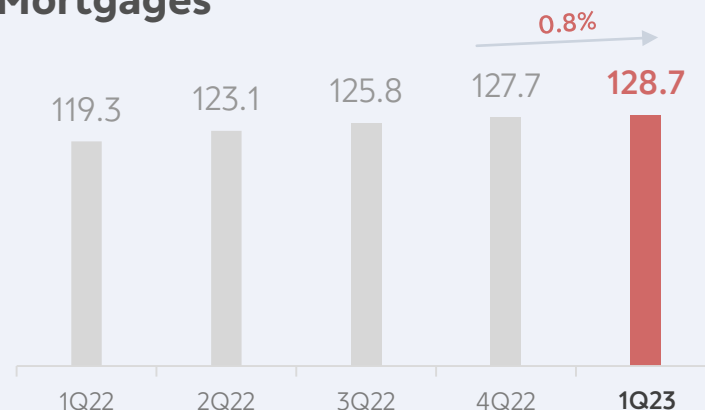
Commercial



Consumer



Mortgages

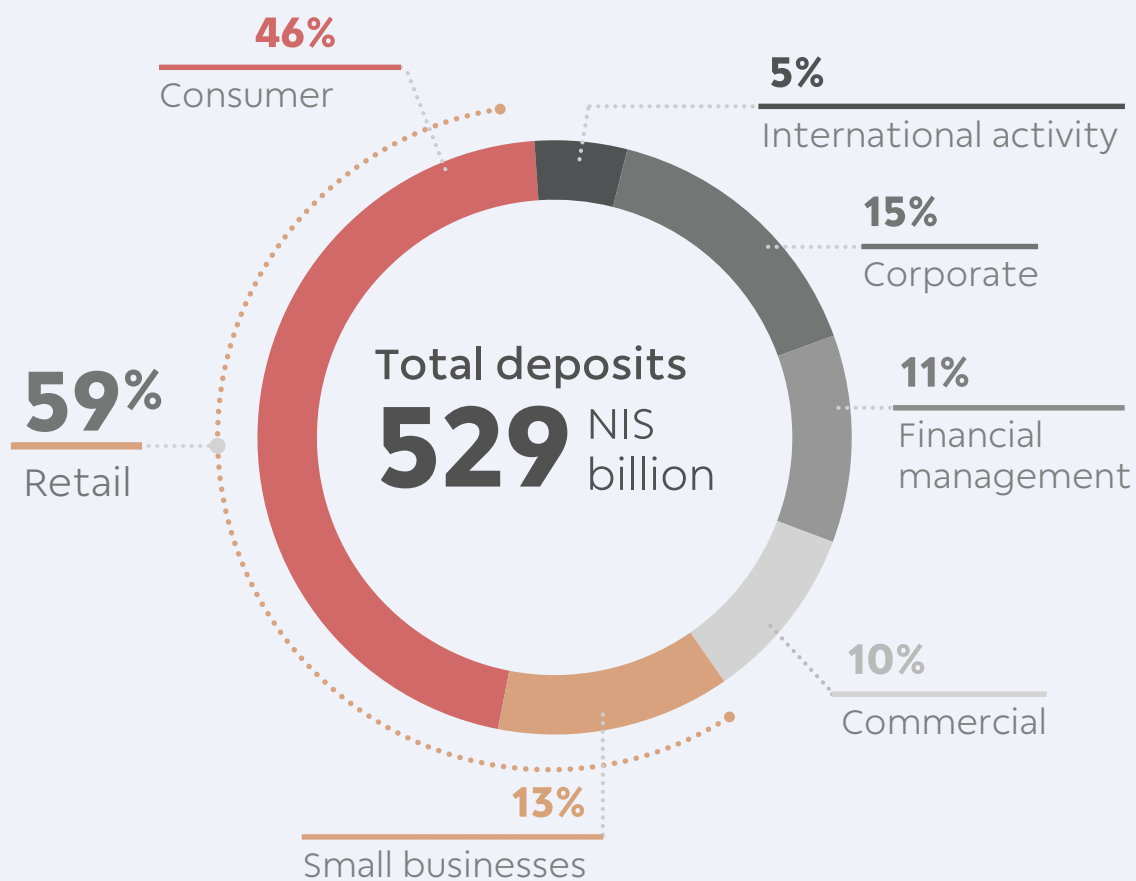


Small business



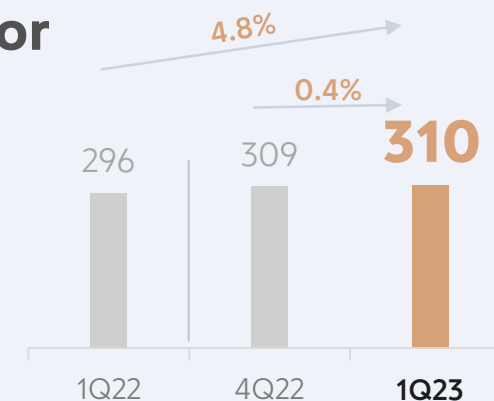
Our largest-in-industry retail deposit base provides a competitive advantage

Deposit base



Largest retail deposit Base in the sector

NIS billion



32% Non-interest bearing deposits of total deposits

LCR

127%

NSFR

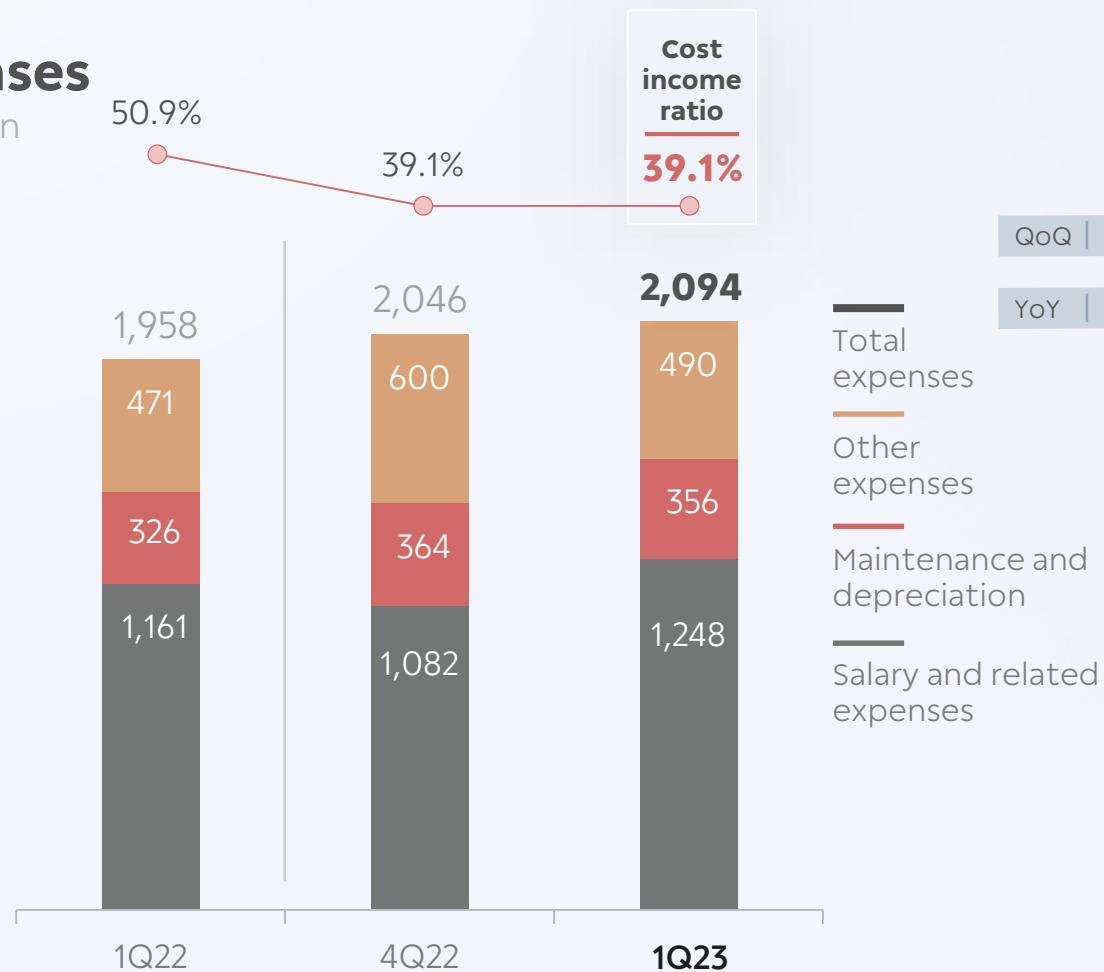
127%

Above regulatory requirement of 100%

Strong efficiency indicators; continued trend of positive jaws

Total expenses

NIS million

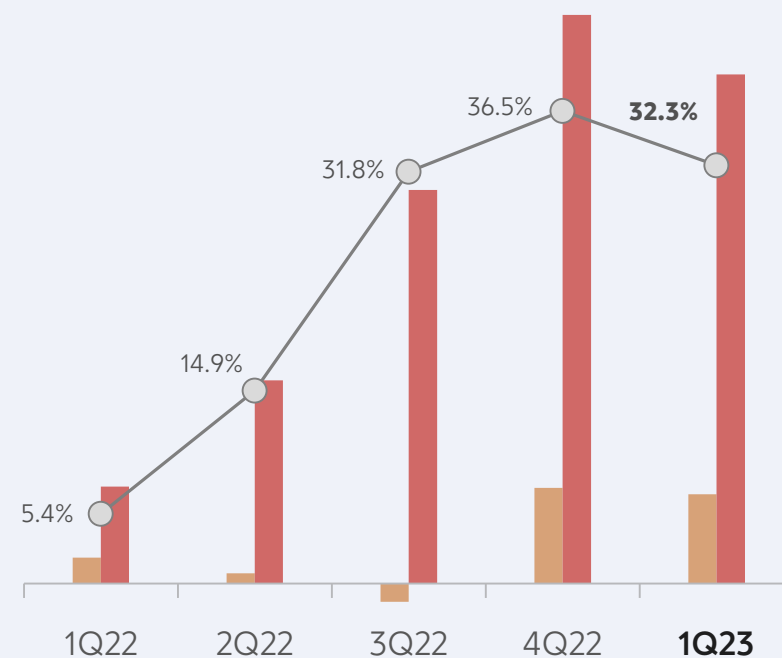


Jaws ratio

YoY change in total income

YoY change in total expenses

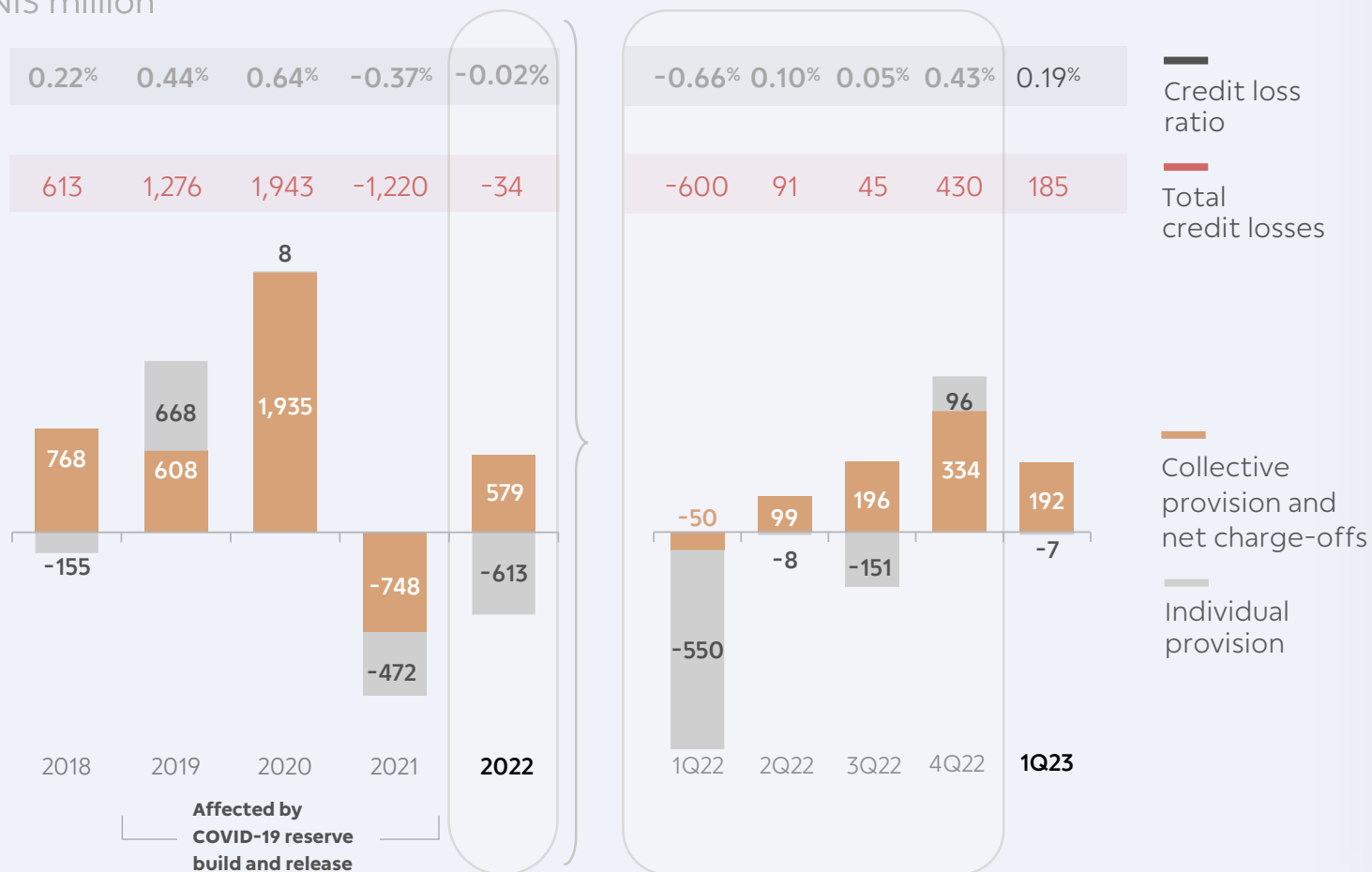
Jaws ratio



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

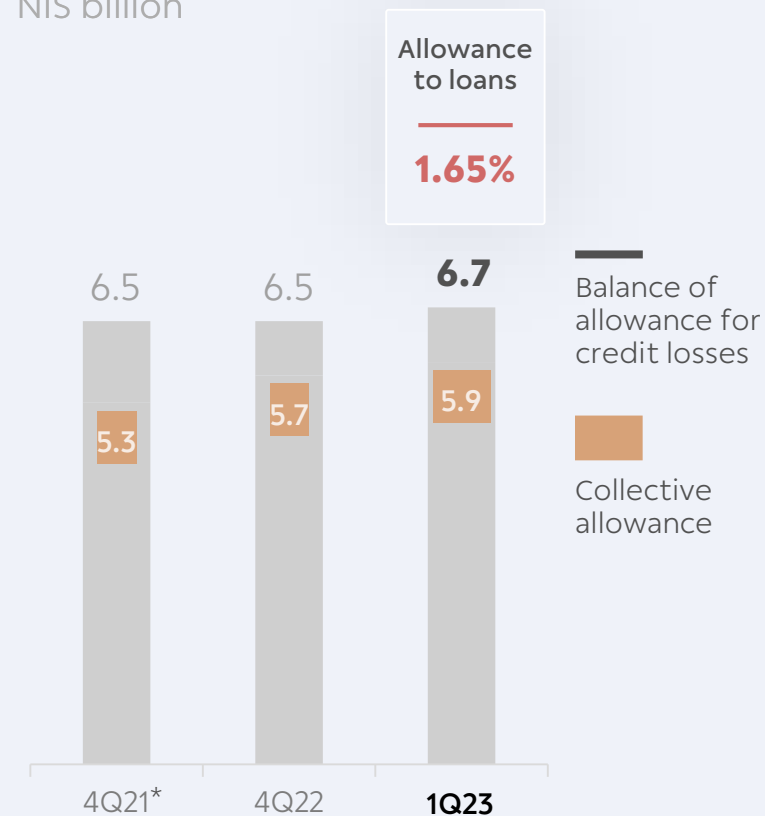
Provision for credit losses

NIS million



Allowance for credit losses

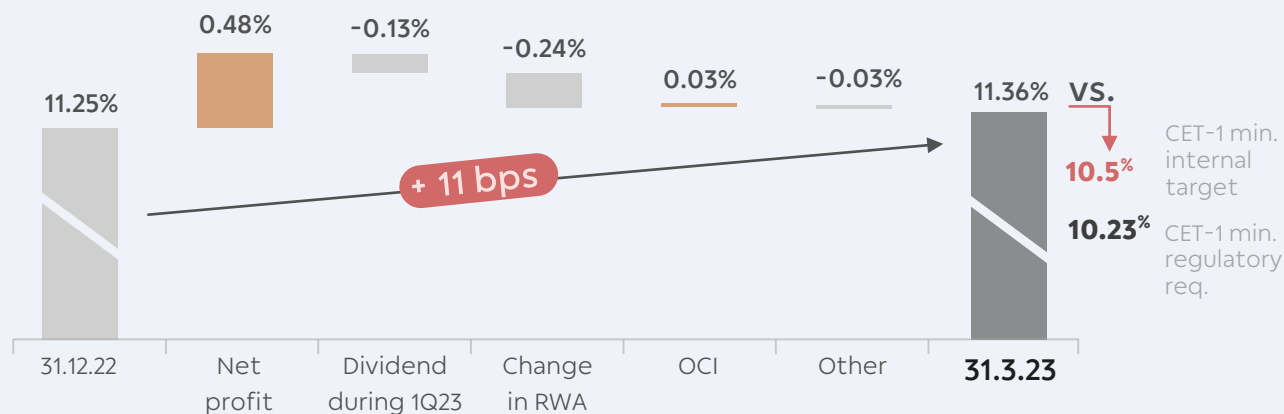
NIS billion



* Proforma data.

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

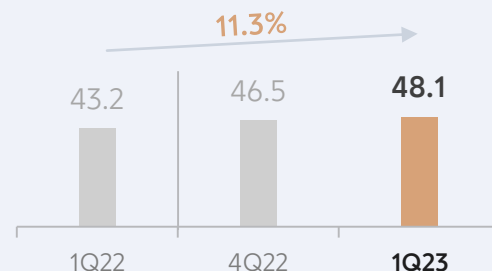
Dividend in LTM

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

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

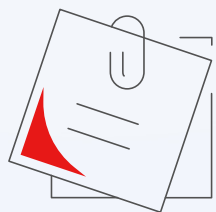
2 Fortress balance sheet with strong
buffers of capital, liquidity and credit
loss reserve

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

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

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

6 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

1Q23

Key balance sheet items NIS million

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

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
Total income	3,848	5,231	5,359
Wages	(1,161)	(1,082)	(1,248)
Maintenance and depreciation of buildings and equipment	(326)	(364)	(356)
Other expenses	(471)	(600)	(490)
Total operating and other expenses	(1,958)	(2,046)	(2,094)
Provision for credit losses	6,00	(430)	(185)
Profit before taxes	2,490	2,755	3,080
Provision for taxes on profit	(862)	(1,015)	(1,089)
Net profit	1,654	1,750	2,008
ROE	15.6%	15.3%	17.0%

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

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Israel's leading
financial institution

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