

# Quarterly Financial Review

3Q23

◆ bank hapoalim





# Disclaimer

This presentation includes condensed information and selected data from Bank Hapoalim's 3Q23 financial results.

This presentation is not a substitute for the Bank's 3Q23 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 12A in the Bank's report.

# The Israeli economy in wartime

Credit card sales on track to recovery after the shock  
Credit card transactions, 14-days moving average Oct. 1, '23=100, Source: CBS



Risk premium has stabilized at a relatively high level  
5Y CDS, Source: Bloomberg



Local bond market remains resilient  
10-year government bond yield, local currencies, Source: Bloomberg



Prompt response of the central bank managed to stabilize the shekel  
USD/ILS, Source: Terminal



# Entering the situation with strong fundamentals

Unemployment rate represents full employment

Source: CBS



Inflation has decreased

Source: CBS



Public debt is close to pre-Covid level  
as a percentage of GDP, Source: MOF



High foreign exchange reserves enabled BOI intervention  
USD millions, Source: BOI



# BOI and government measures mitigate the impact on corporates and households

## BOI measures calmed the markets

- Program to sell up to USD 30 billion in foreign exchange. In addition, a USD 15 billion plan to provide liquidity to the market through FX SWAP mechanisms.
- Deferral or exemption of loan repayments, as well as interest charges on negative balances in current accounts and fees.
- BOI will provide NIS 10 billion in subsidized loans to banks, against loans granted by the banks to small and micro businesses whose revenue was negatively impacted by the war.

## Government aid package

- Direct property damages are covered by a special gov. fund.
- Frontier corporates and households are eligible for full compensation for their economic losses.
- Other areas of the country: grants for SMEs to partially compensate for fixed costs, including wages.
- Unemployment benefits for furloughed employees (under certain criteria).
- Tax deferrals.
- Government loan guarantees fund for SMEs.

## Strong post crisis recoveries GDP level

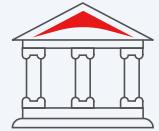
Source: CBS



# Fully operational since the outbreak of the war



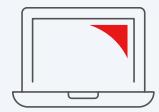
Branches are open and fully operating subject to Home-Front Command instructions



Expansion of services through virtual channels and activation of mobile branches



Immediate expansion of work-from-home capabilities



Back up site provide full IT redundancy, in case of need



# Proactive approach in supporting our customers and Israeli citizens in times of need

## Directly affected customers

- Interest-free bridge loans (fund of NIS 750 million).
- Deferral of loan payments by up to 3 months at no cost.
- An exemption from various fees through the end of 2023.
- Suspension or exemption of 3 mortgage payments.
- No interest charges on negative balances (under certain criteria).

## Other customers

- Loans at a Prime interest rate only.
- Rescheduling or deferral of payments on existing loans.
- Easier breaking of existing deposits.
- Deferral or rescheduling of charges for the month of November in bank credit cards, at no cost.

~420  
NIS million

Assessment of full utilization of the benefits; will be recorded mainly in the fourth quarter

## Poalim Rebuild

- Founded an aid fund based on donation of NIS 100 m.
- Dedicated to rebuilding of the affected communities in the south of Israel.
- Will collaborate with local council leaders, focusing on rehabilitation of communities.
- Will conduct mapping and prioritization to identify specific needs and uses.

100  
NIS million

Poalim Rebuild Aid Fund

# Entering the situation with pre-adjusted growth pace and significant buffers; best positioned to cope with future developments

Credit growth pace was already aligned to global uncertainties in 2022...

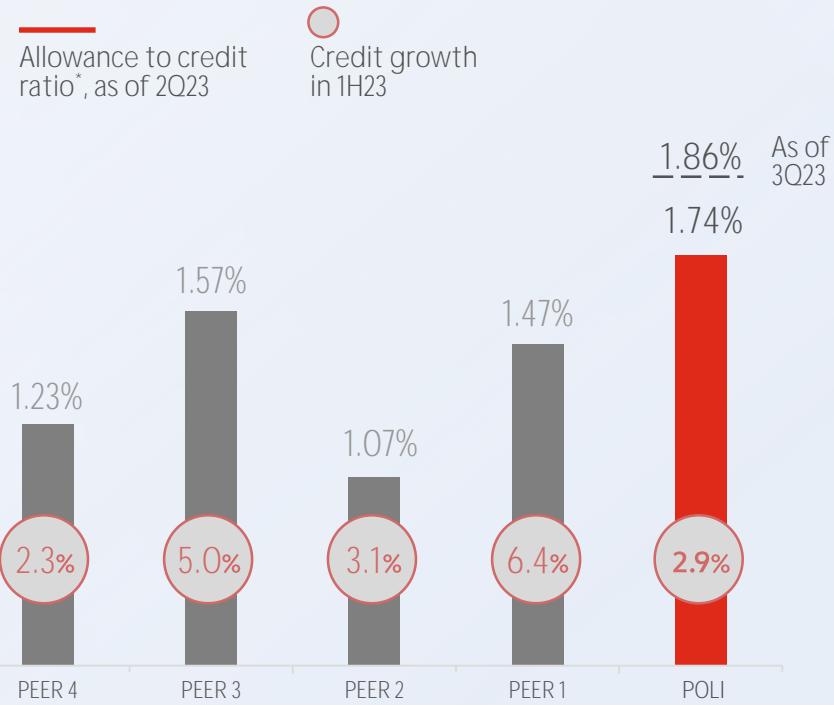


...while consistently building the allowance buffer



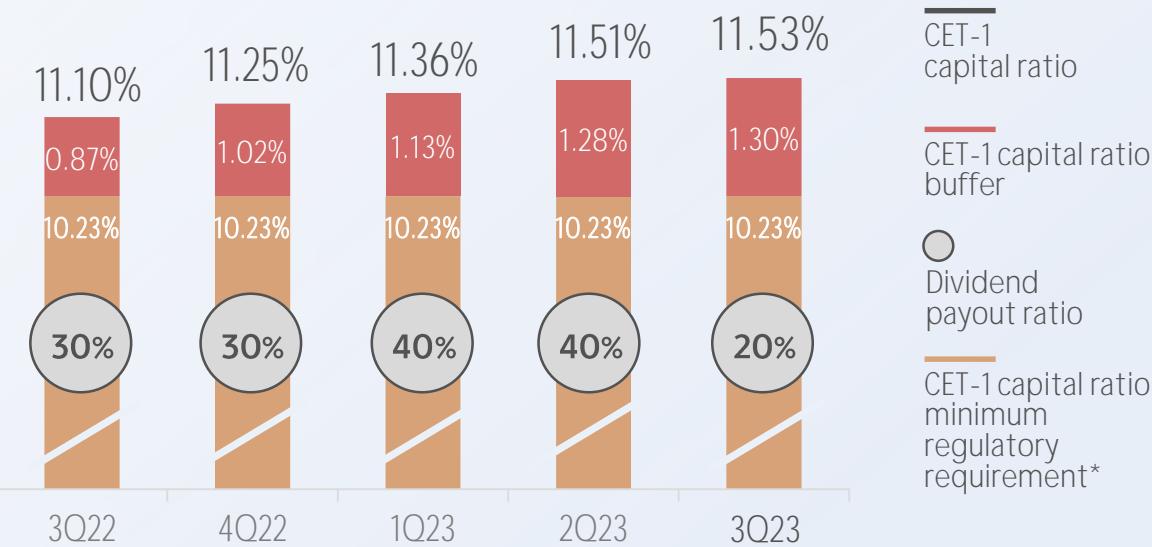
\* Allowance in respect of loans, including off-balance sheet items, of total loans

Best-in-the-sector preparedness, based on a combination of responsible growth and allowance buffer



# Leading capital and liquidity position provides a cushion for future developments

Organic capital generation and tight management led to solid buffers & continued dividend distribution



Best-in-class CET-1 capital ratio, as of 2Q23



Ample liquidity mainly based on retail deposits



Retail deposits 59%

\* CET-1 capital ratio minimum internal target is 10.5%

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Financial  
Review



# Highlights of the third quarter

## Continuous robust profitability

- High level of income supports the strong profitability
- Strong efficiency metrics

ROE  
**13.4%**  
3Q23 / **15.4%**  
9M23

Cost-income ratio  
**38.9%**  
3Q23

## High quality loan book; further build of reserve

- Increase in the collective provision for credit losses, mainly due to the increase in the probability of an economic slowdown and the consequences of the war

NPL ratio  
**0.97%**

Credit loss ratio  
**0.66%**  
3Q23

NPL coverage ratio  
**168%**

## Continued responsible credit growth

- Growth pace in line with sector and macro dynamics
- Diversified growth across business economic sectors

Credit growth  
**1.1%**  
QoQ

of growth is in non-real  
estate economic sectors\*  
**~50%**  
YTD

## Best-in-class buffers

- Strong buffers of capital, liquidity, and credit loss reserve
- Capital surplus allows for continued dividend payout (20% of net income)

CET-1 capital ratio  
**11.53%**

LCR  
**124%**

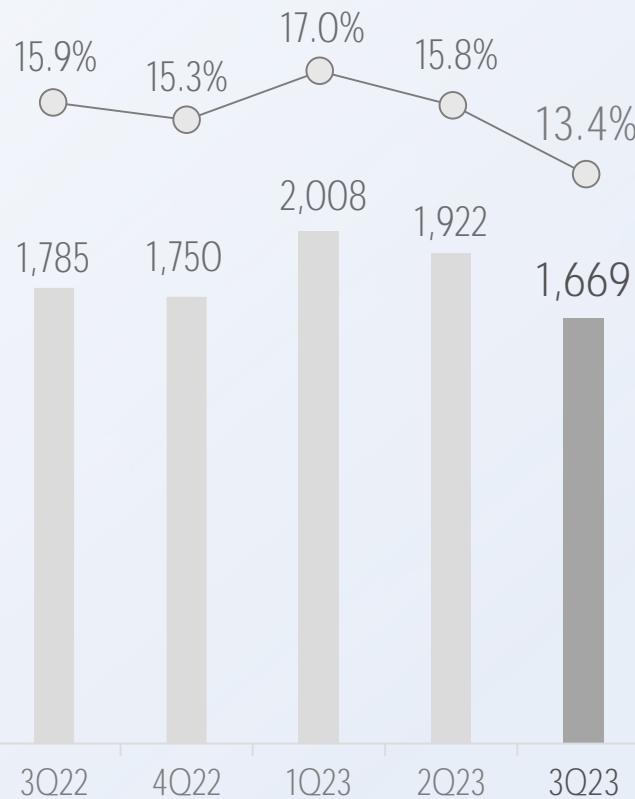
Allowance ratio\*\*  
**1.86%**

\* Business sector debts in Israel, as defined in table D-3 in the report on risks.

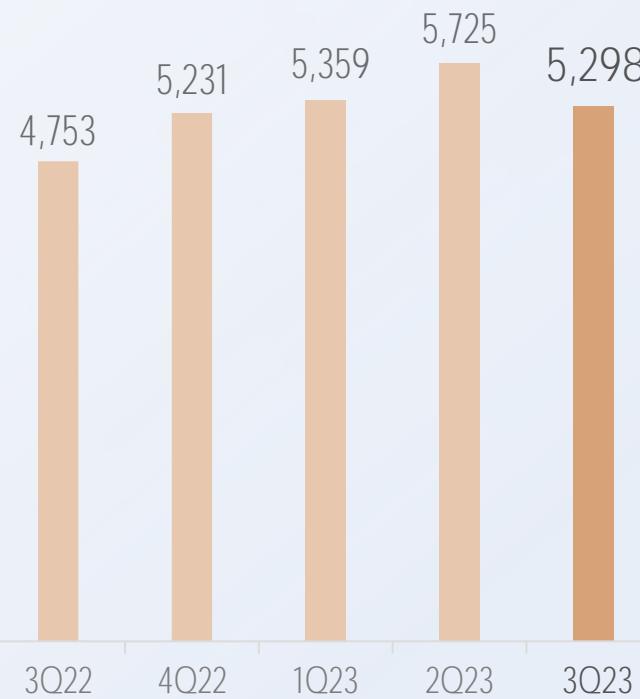
\*\* Allowance in respect of loans, including off-balance sheet items, of total loans.

# Strong profitability and efficiency metrics

Net profit & ROE  
NIS million



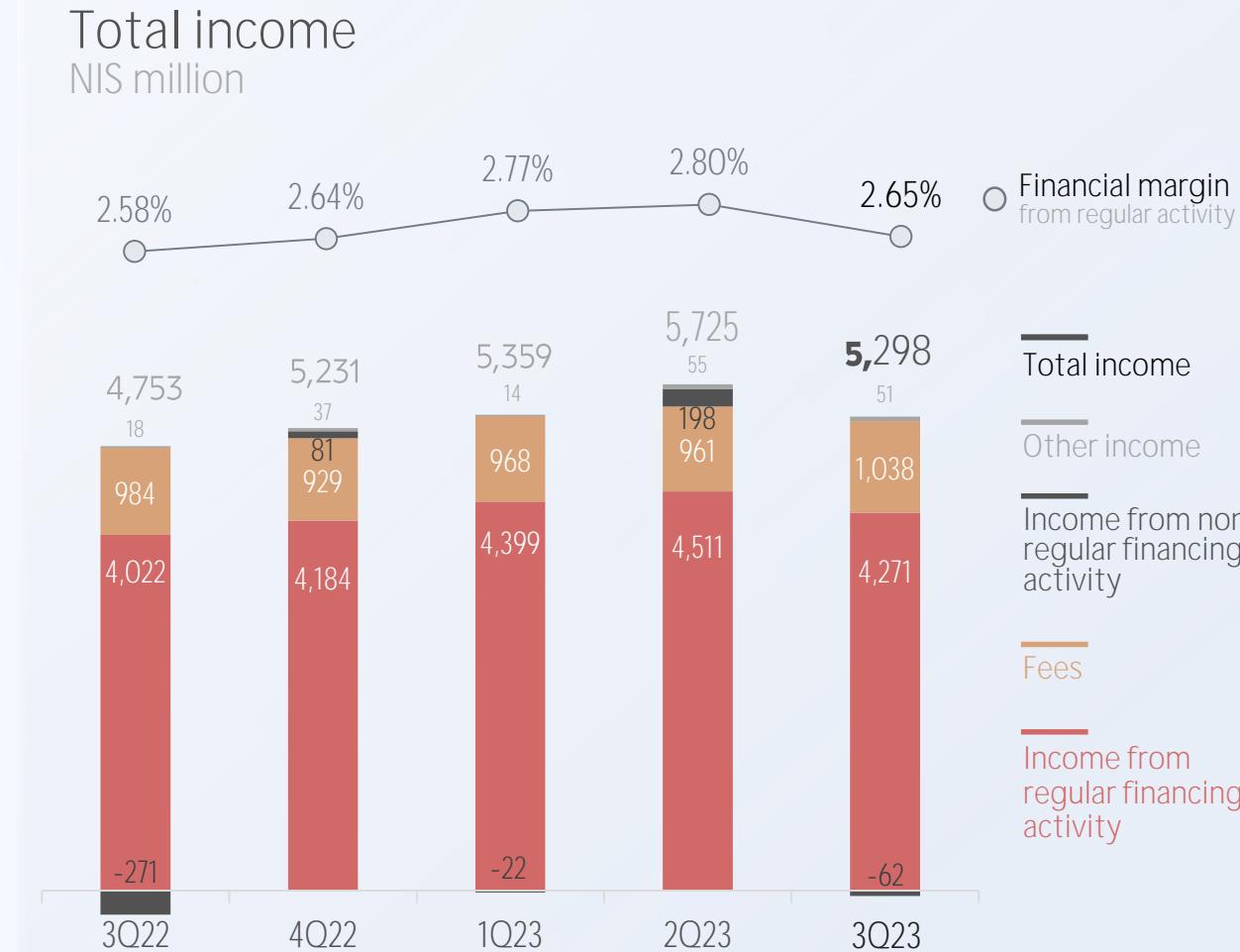
Total income  
NIS million



Cost-income ratio

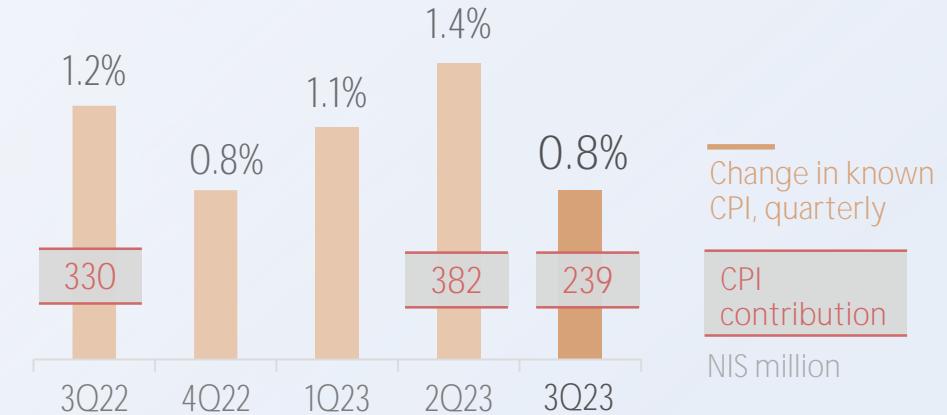


# High level of income and margins, though affected by lower inflation and the exhaustion of the rise in interest rate



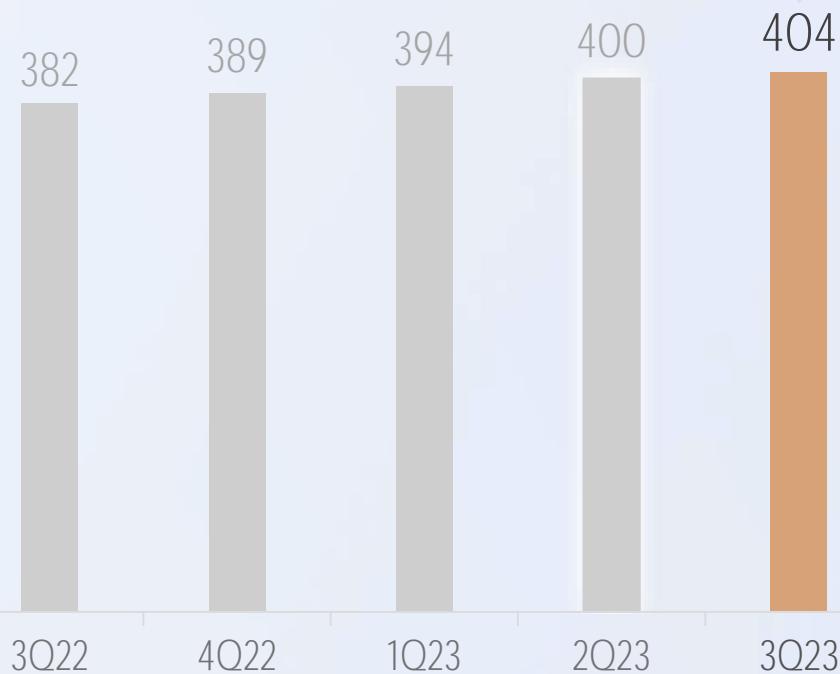
QoQ decline in income from regular financing activity due to lower CPI contribution and continued customer migration to interest-bearing deposits

## The change in CPI & its contribution to income

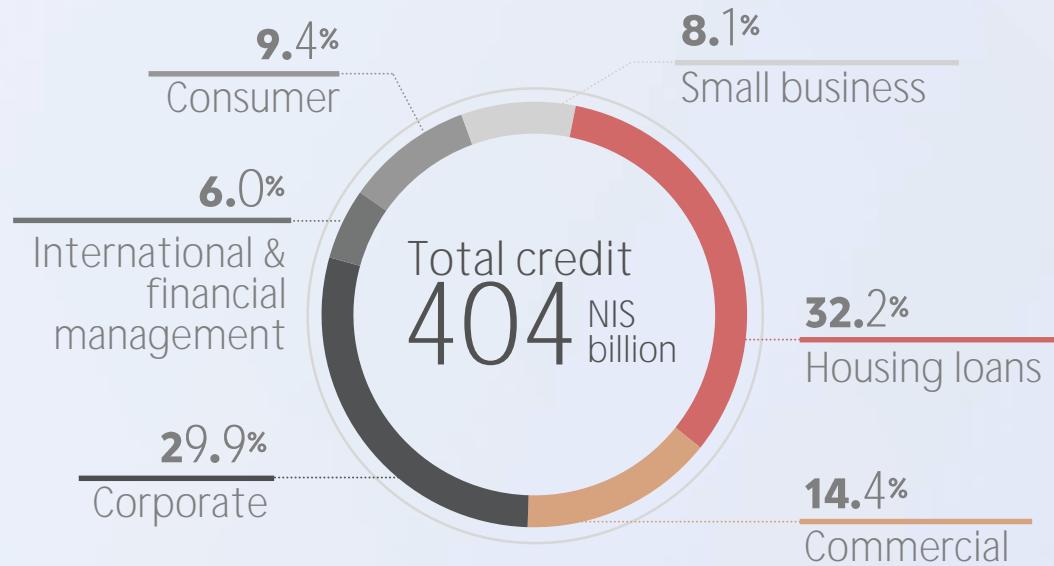


# Responsible credit growth; alignment over time of the growth pace with the changing environment

## Credit portfolio NIS billion



## Well-diversified credit portfolio



# Credit growth in line with sector and macro dynamics

NIS billion

## Total credit



## Corporate



## Commercial



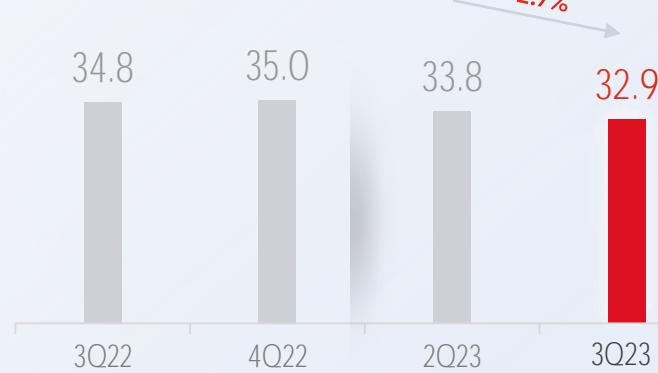
## Consumer



## Housing loans

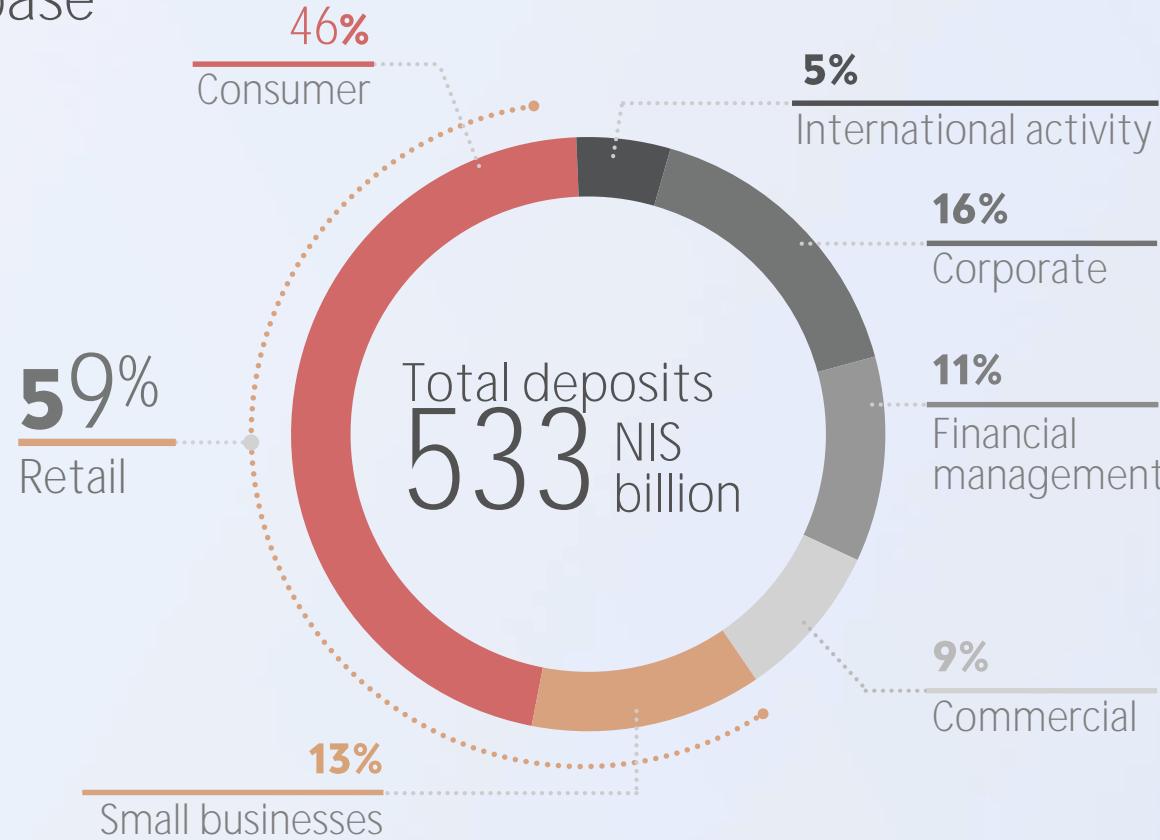


## Small business



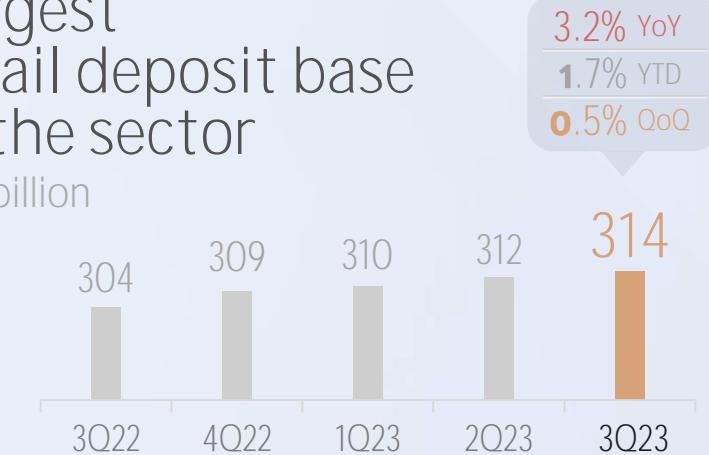
# Sound funding base; strong liquidity buffers in place

## Deposit base



Largest retail deposit base in the sector

NIS billion



28% Non-interest bearing deposits of total deposits (36% at YE2022)

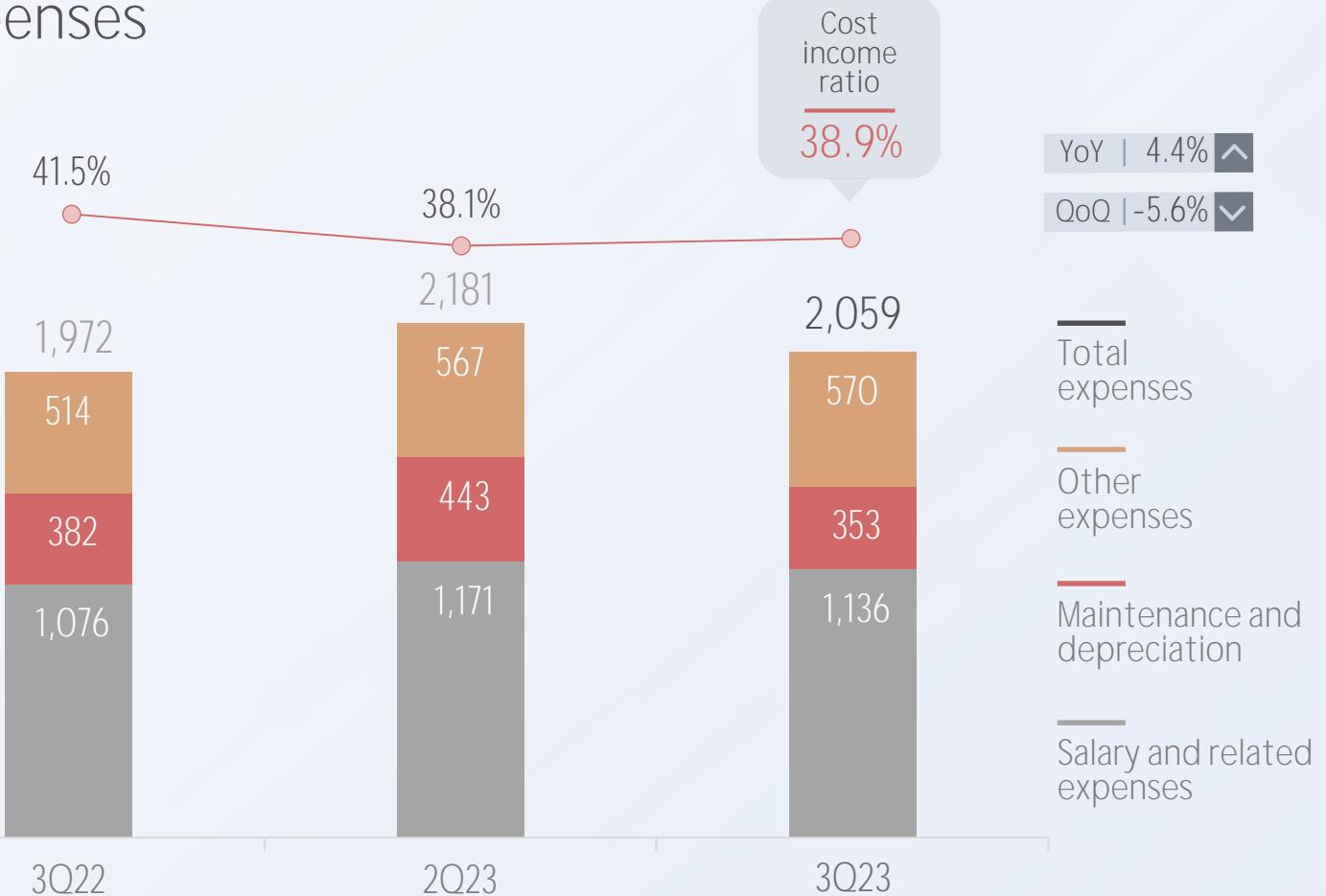
LCR 124% NSFR 125%

Above regulatory requirement of 100%

# Robust efficiency metrics

## Total expenses

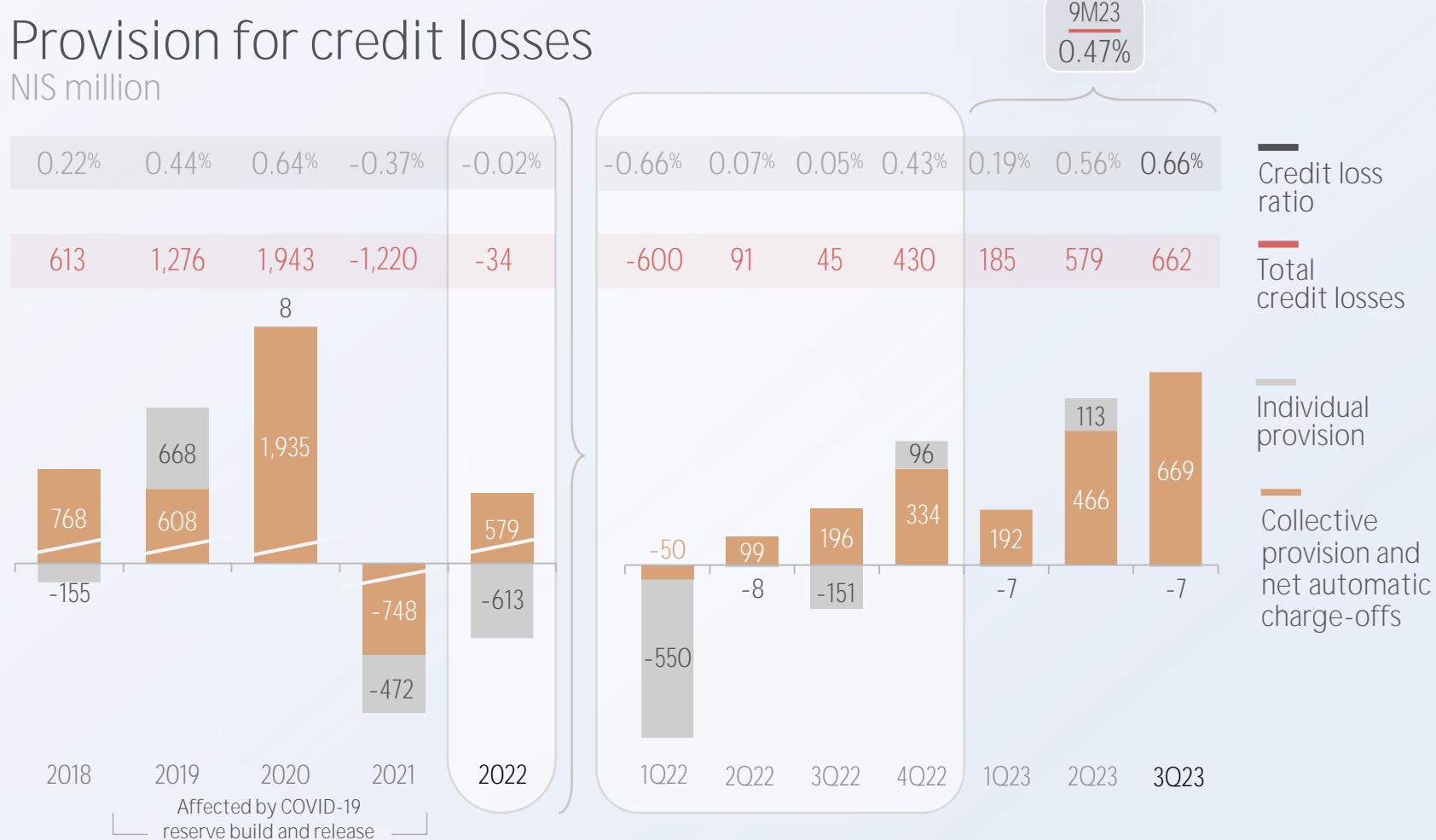
NIS million



# Continuing to increase collective allowance; Reflecting the consequences of the war

## Provision for credit losses

NIS million



Consistent increase in the collective provision in previous quarters, to reflect macroeconomic effects, in view of the increase in the probability of economic deceleration and a high interest-rate environment over a long period;

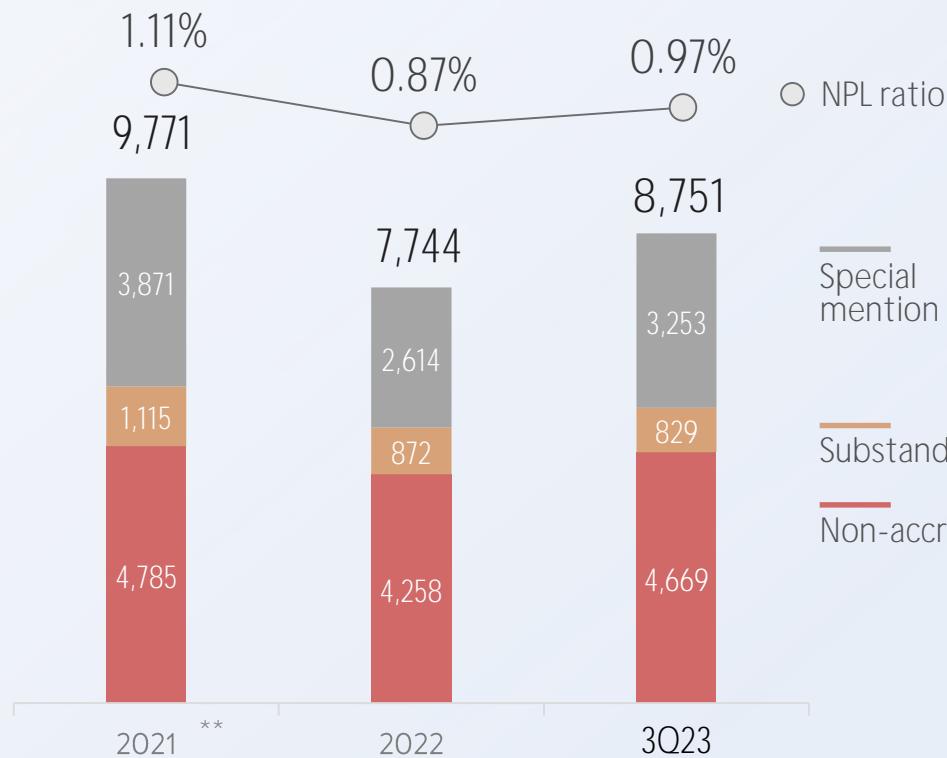
Third quarter provision was also affected by the increase in the probability of an economic slowdown due to the consequences of the war;

Individual provision remains low, affected by recoveries.

# Resilient asset quality; NPL increased but remains relatively low and the allowance buffer continued to grow

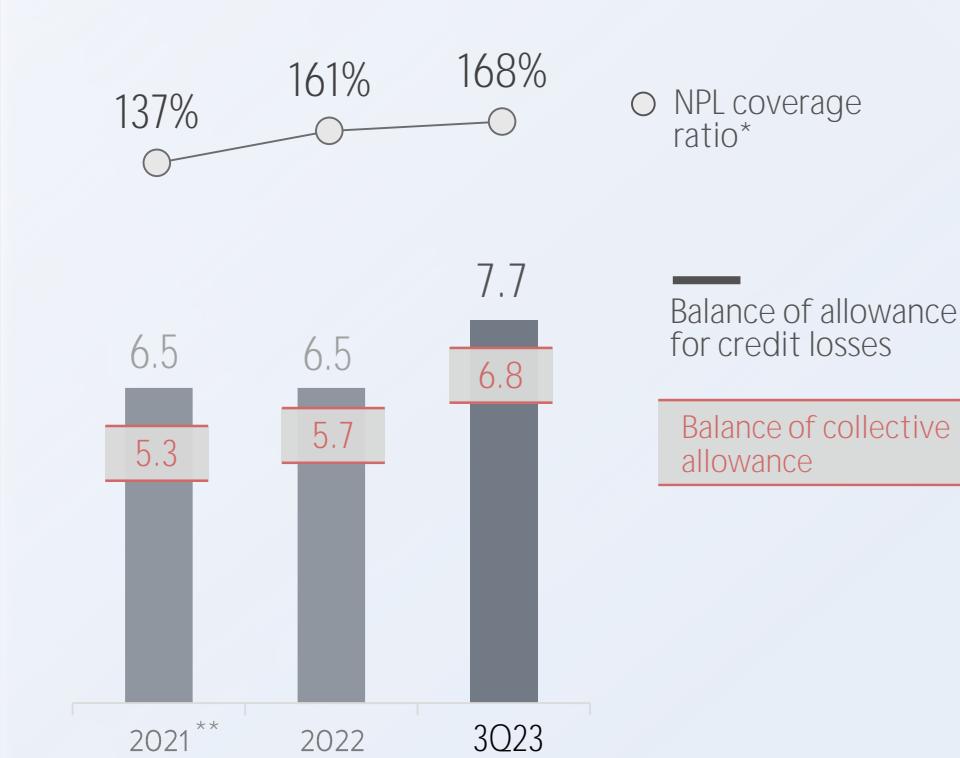
## Total problematic debt & NPL ratio

NIS million



## Allowance balance & NPL coverage ratio

NIS billion

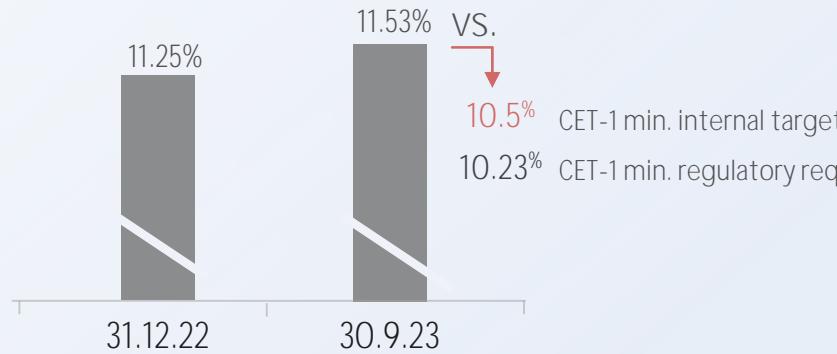


\* Balance sheet allowance for credit losses to NPL.

\*\* Proforma data. The proforma allowance for credit losses includes the effect of the initial implementation of CECL.

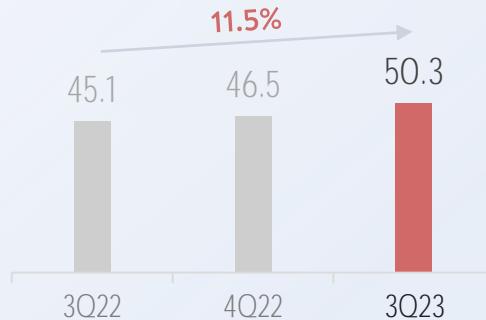
# Strong organic capital generation and buffer creation allow for continued dividend payout

## CET-1 capital ratio



## Strong growth in shareholders' equity

NIS billion



## Dividend distribution

**20% dividend**  
in respect of 3Q23 profit

**334**  
NIS million

High dividend yield\*

in respect of  
the last four  
quarters'  
profits

**2.4**  
NIS billion  
Dividend declared

**5.8%**  
Dividend yield

## Total capital ratio

**14.70%**

vs. min. regulatory  
req. of 13.5%

## Leverage ratio

**6.77%**

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

\* Calculated as the dividend per share declared in respect of the last four quarters' profits, including 3Q23, divided by share price on the record date of each distribution or declaration.

\*\* Relief valid until December 31, 2023. The minimum regulatory requirement pre-relief is 6%.

Note: For additional information regarding capital requirements, refer to note 9 in the 3Q23 report.

# 3Q23 key takeaways

1

The economic situation of Israel has changed with the outbreak of the war. However, Israel entered the situation with strong fundamentals

2

Bank hapoalim has the Best-in-the-sector preparedness, based on a good combination of responsible growth and capital, liquidity and credit loss buffers

3

Continuous robust profitability. Net profit of NIS 1.7 billion; ROE of 13.4%; cost-income ratio of 38.9%.

4

Continuing to increase collective allowance, mainly due to the increase in the probability of an economic slowdown due to the consequences of the war

5

Strong organic capital generation and buffer creation allow for continued dividend payout (20% of net income)

6

A proactive approach to support for our customers and Israeli citizens in times of need



3Q23 Quarterly Financial Review

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# Appendix

# Key balance sheet items

NIS million

	3Q22	2Q23	3Q23
Cash on hand and deposits with banks	145,423	97,082	92,131
Securities	90,078	132,301	136,810
Net credit to the public	381,582	400,136	404,371
Deposits from the public	527,699	529,703	532,756
Deposits from banks	9,779	10,793	8,953
Bonds and subordinated notes	26,263	24,804	23,810
Shareholders' equity	45,068	49,342	50,252
Total balance sheet	658,336	668,784	675,988

**Note:** For a full balance sheet analysis, please refer to the bank's financial statements for 3Q23.

# Key profit and loss items

NIS million

	3Q22	2Q23	3Q23
Total net financing profit	3,751	4,709	4,209
Fees and other income	1,002	1,016	1,089
Total income	4,753	5,725	5,298
Wages	(1,076)	(1,171)	(1,136)
Maintenance and depreciation of buildings and equipment	(382)	(443)	(353)
Other expenses	(514)	(567)	(570)
Total operating and other expenses	(1,972)	(2,181)	(2,059)
Provision for credit losses	(45)	(579)	(662)
Profit before taxes	2,736	2,965	2,577
Provision for taxes on profit	(967)	(1,056)	(917)
Net profit	1,785	1,922	1,669
ROE	15.9%	15.8%	13.4%

Note: For a full profit and loss analysis, please refer to the bank's financial statements for 3Q23.

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