

Quarterly Financial Review

3Q23



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 - 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.

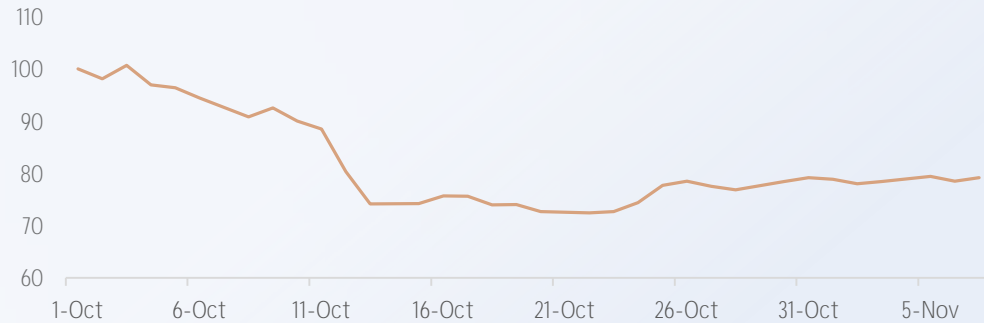
Forward-looking statements regarding the Bank's business, financial condition, and results of operations, are subject to risks and uncertainties that may cause actual results to differ materially from those contemplated. Such forward-looking statements include, but are not limited to, product demand, 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

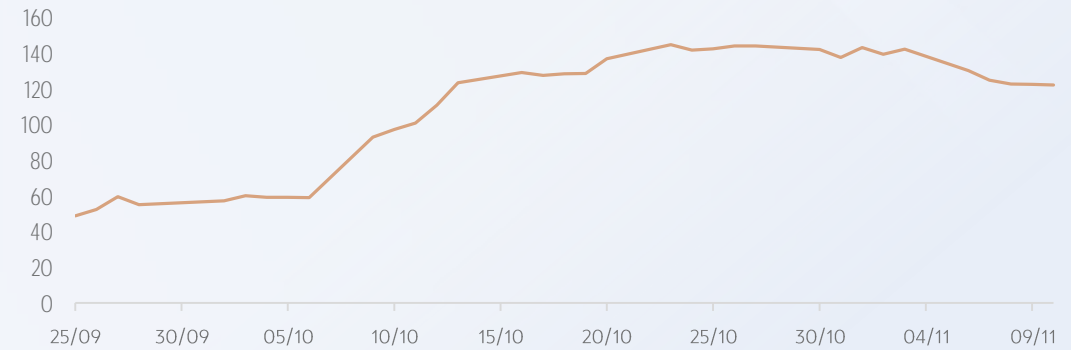
Credit card sales on track to recovery after the shock

Credit card transactions, 14-days moving average Oct. 1, '23=100, Source: CBS



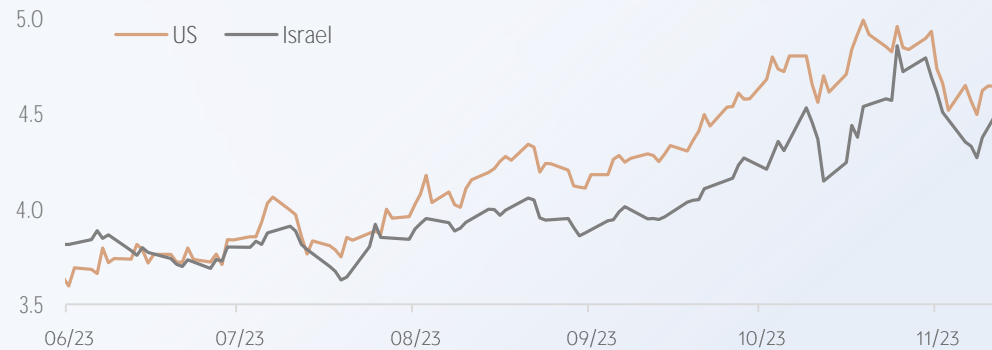
Risk premium has stabilized at a relatively high level

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

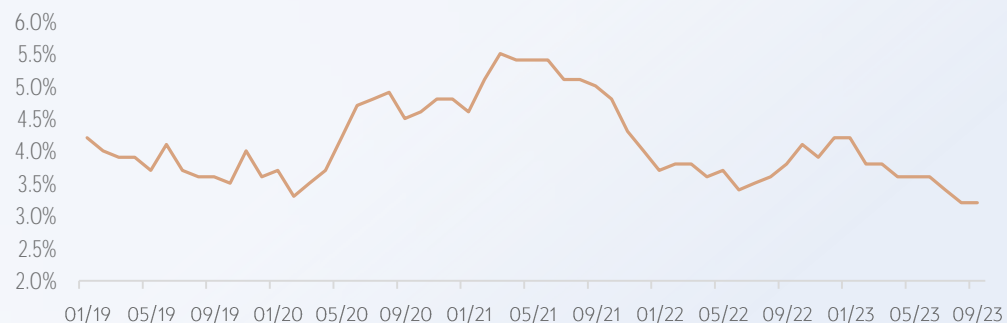
USD/ILS, Source: Terminal



Entering the situation with strong fundamentals

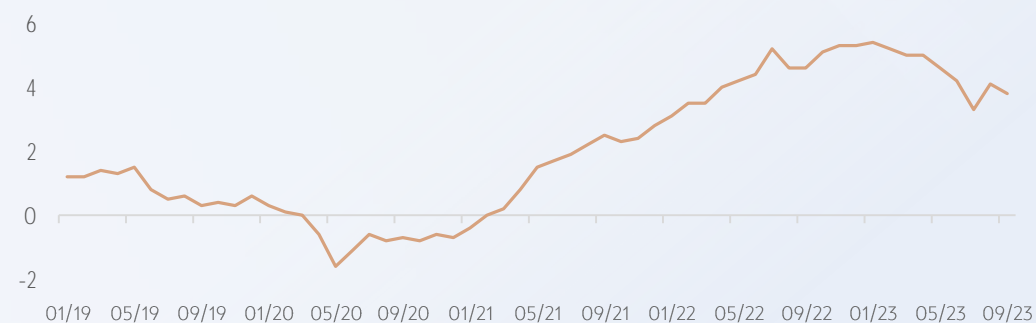
Unemployment rate represents full employment

Source: CBS



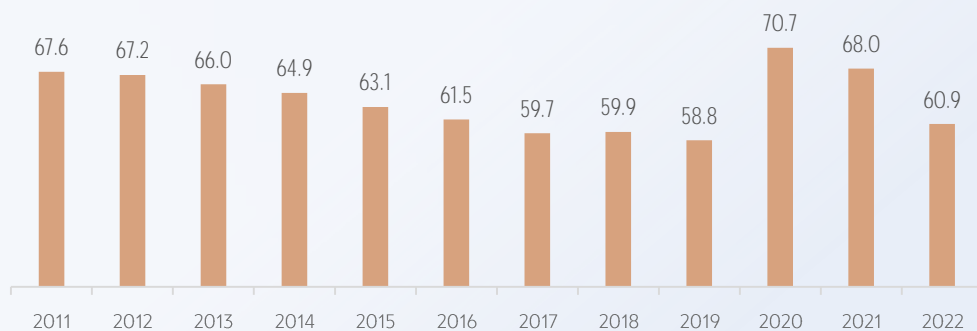
Inflation has decreased

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

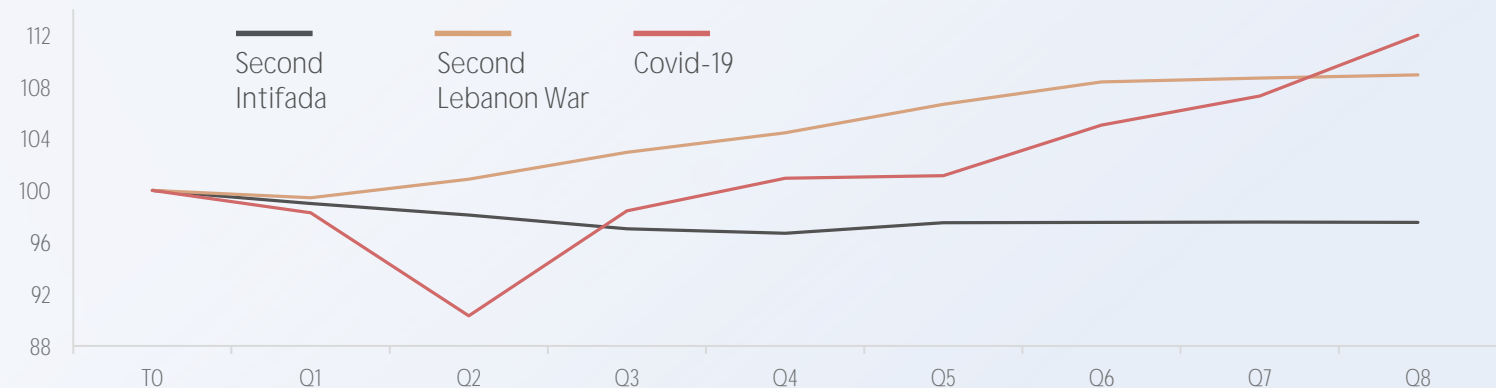
- Program to sell up to USD 30 billion in foreign exchange. In addition, a USD 15 billion plan to provide liquidity to the market through FX SWAP mechanisms.
- Deferral or exemption of loan repayments, as well as interest charges on negative balances in current accounts and fees.
- BOI will provide NIS 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

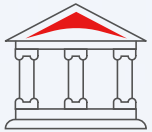
Source: CBS



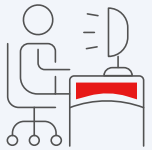
Fully operational since the outbreak of the war



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.

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.

~420
NIS million

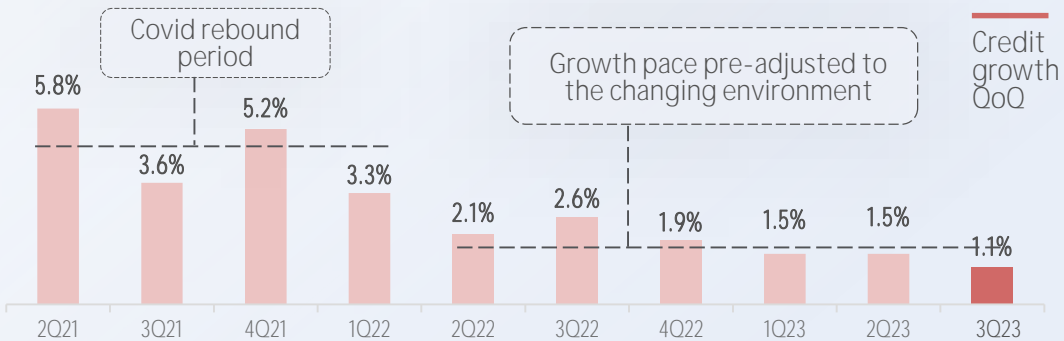
Assessment of full utilization of the benefits; will be recorded mainly in the fourth quarter

100
NIS million

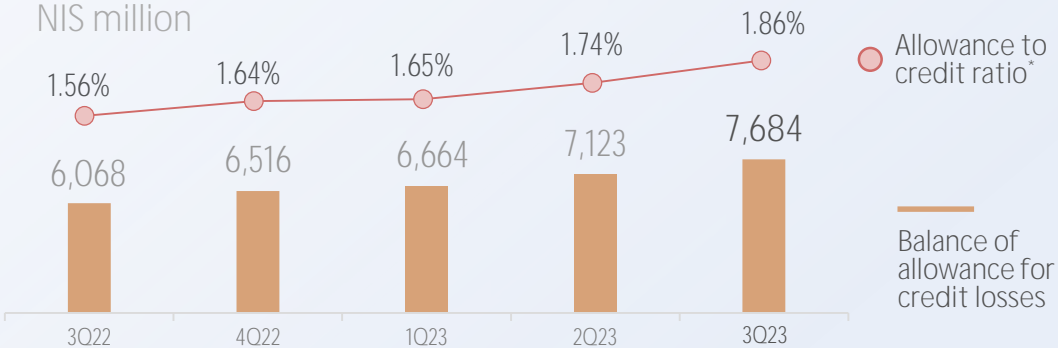
Poalim Rebuild
Aid Fund

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...

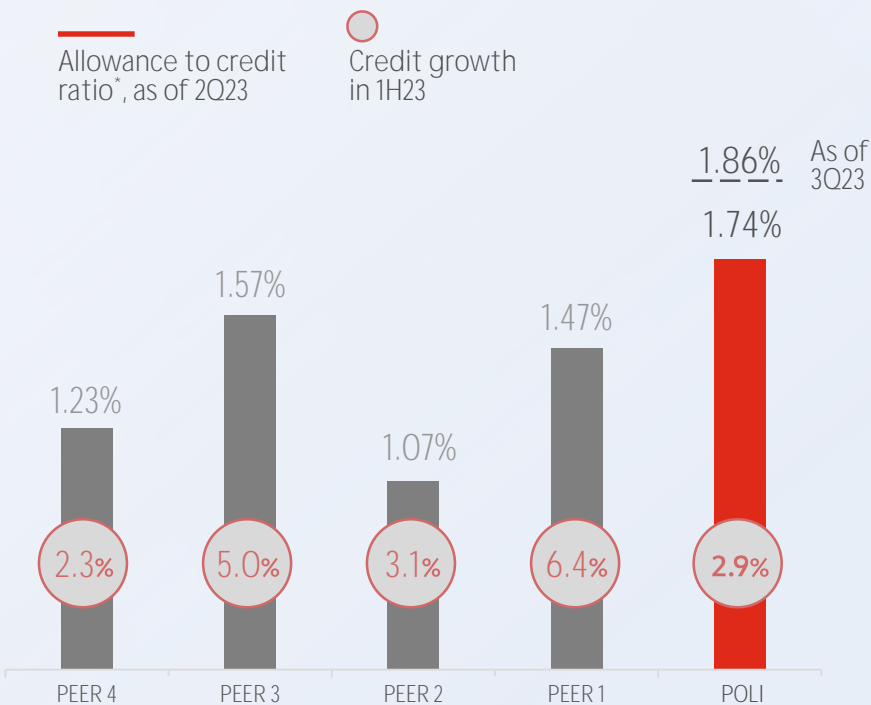


...while consistently building the allowance buffer
NIS million



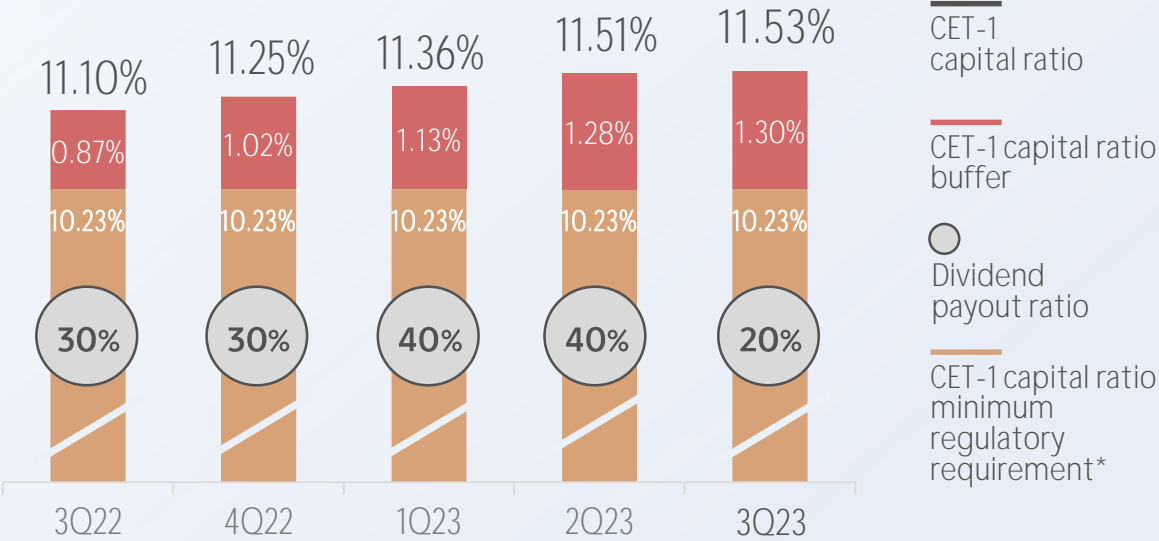
* Allowance in respect of loans, including off-balance sheet items, of total loans

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

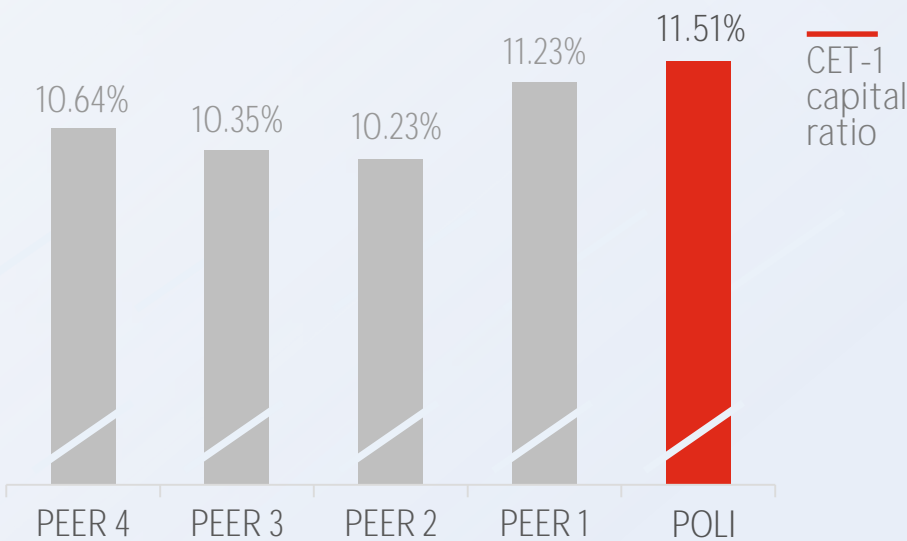


Leading capital and liquidity position provides a cushion for future developments

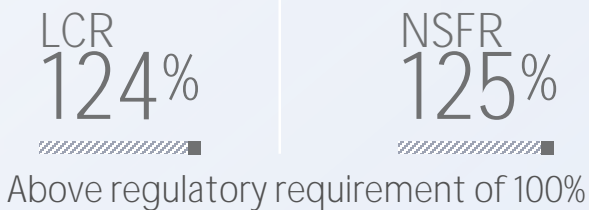
Organic capital generation and tight management led to solid buffers & continued dividend distribution



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



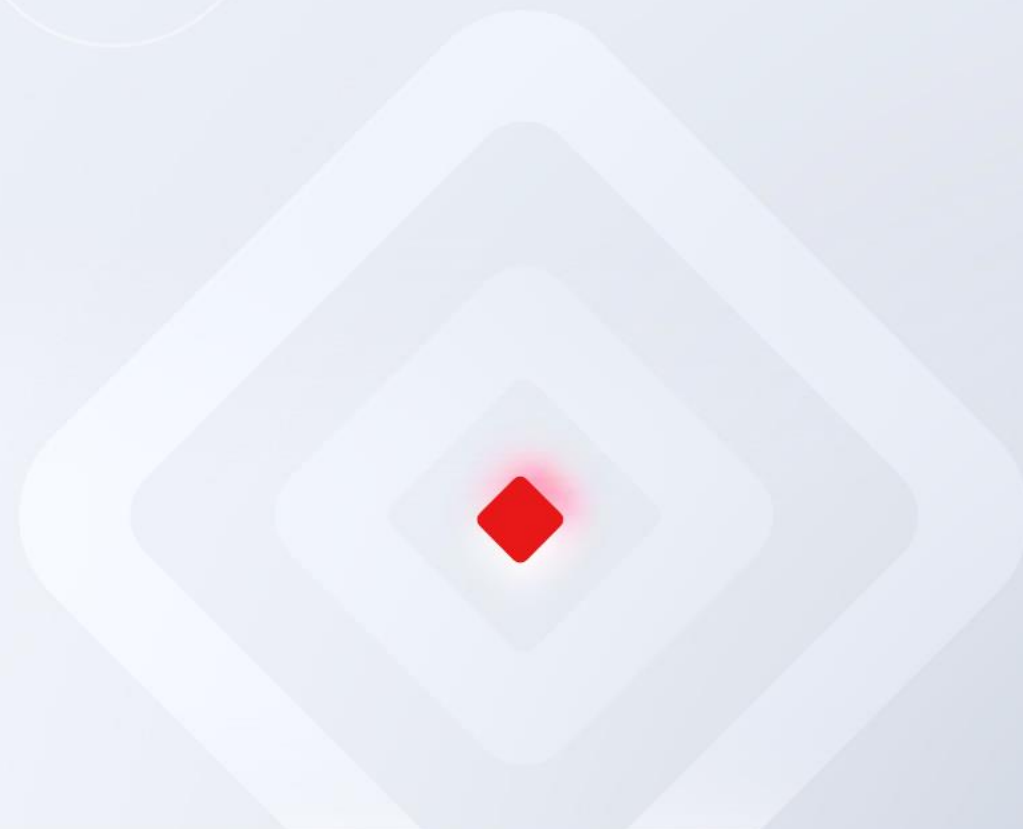
Ample liquidity mainly based on retail deposits



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

◆ bank hapoalim

3Q23 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}

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}

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%

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%

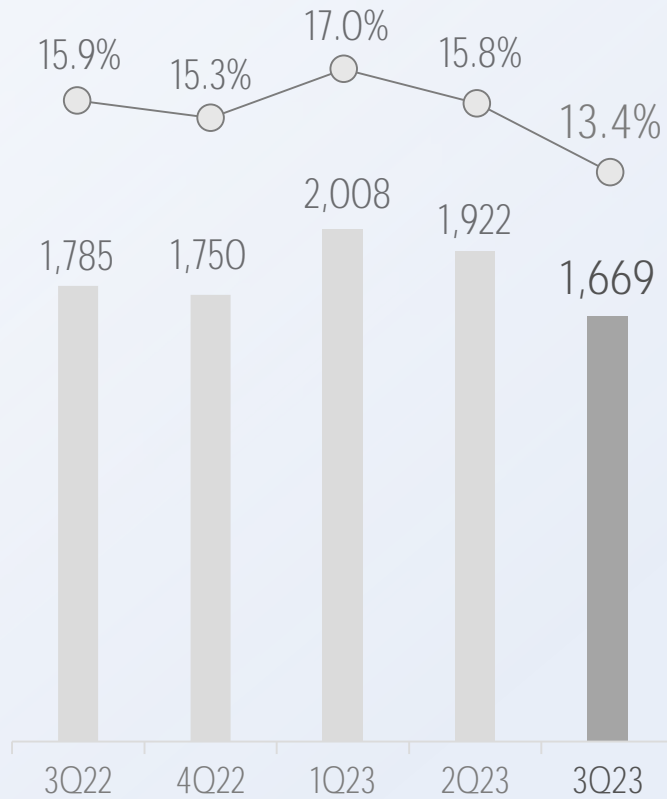
* Business sector debts in Israel, as defined in table D-3 in the report on risks.

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

Strong profitability and efficiency metrics

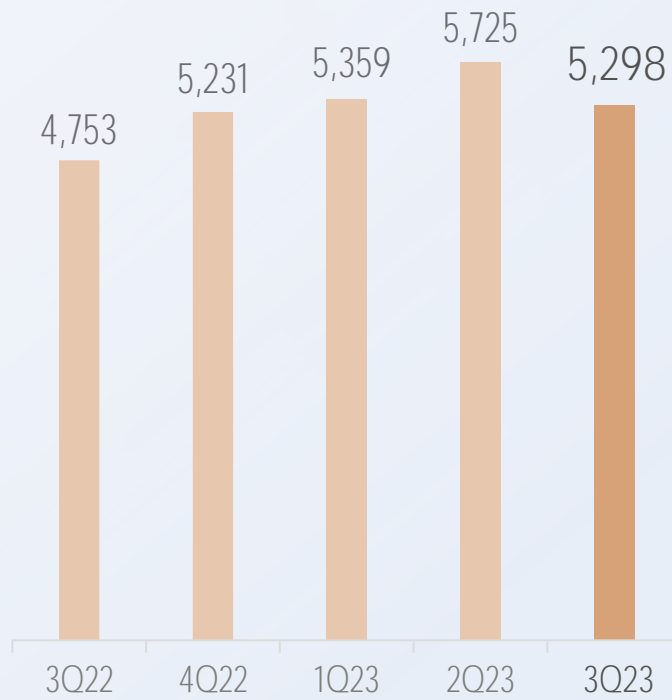
Net profit & ROE

NIS million

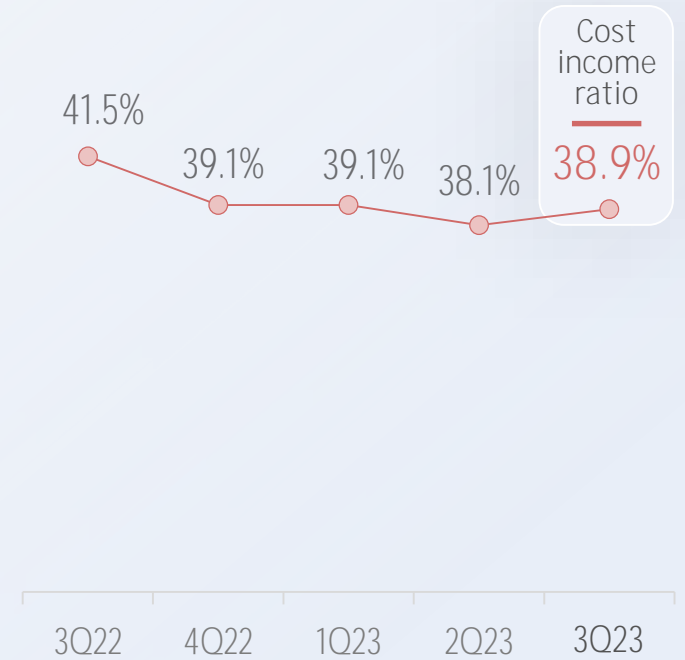


Total income

NIS million

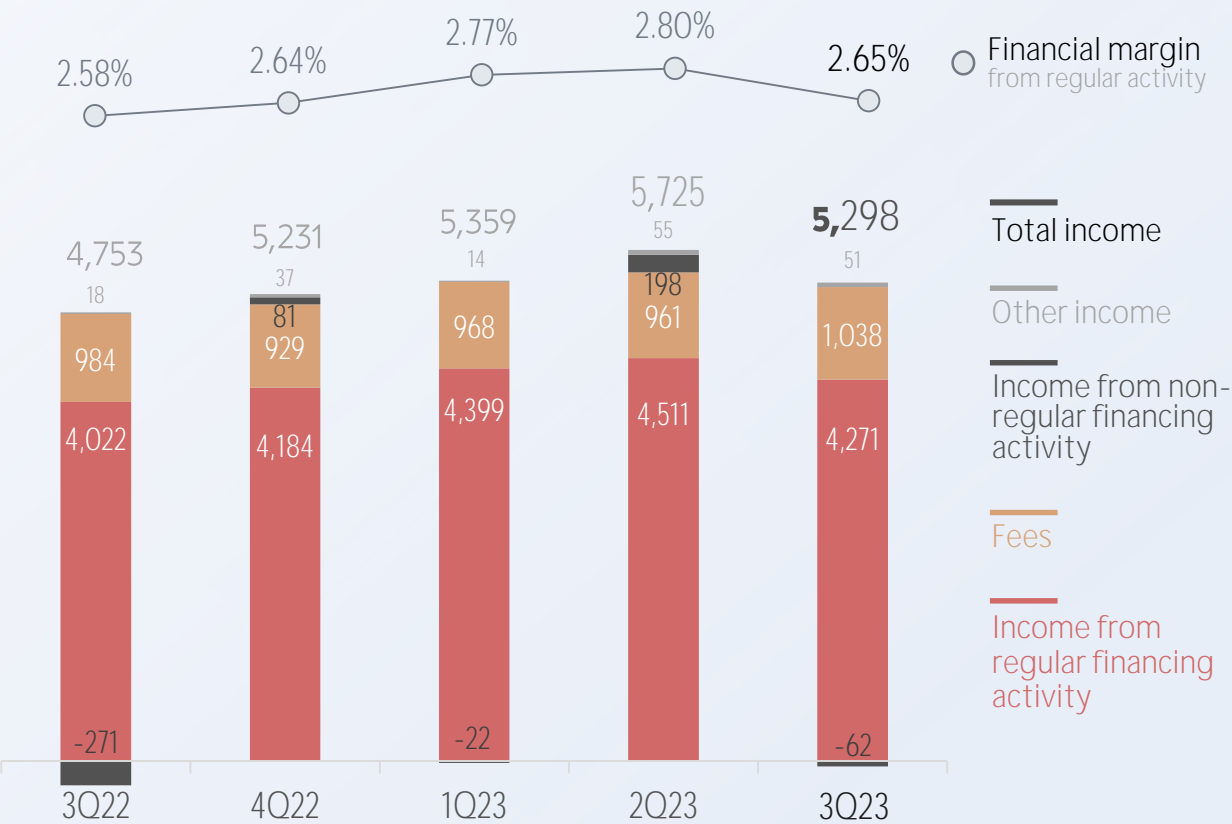


Cost-income ratio



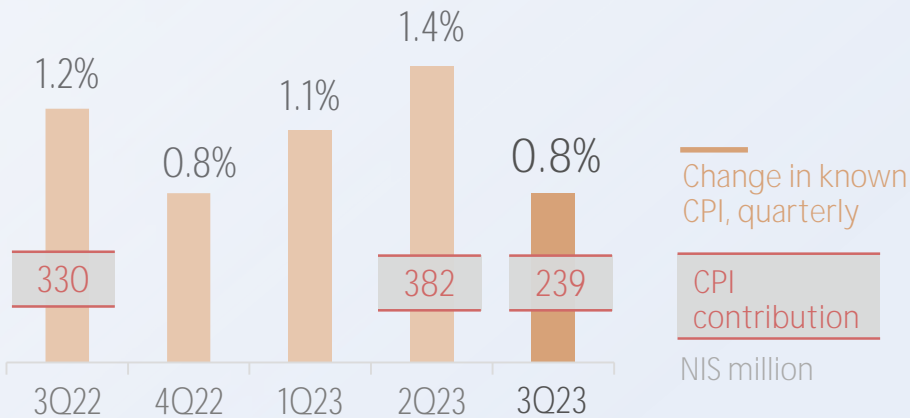
High level of income and margins, though affected by lower inflation and the exhaustion of the rise in interest rate

Total income
NIS million



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

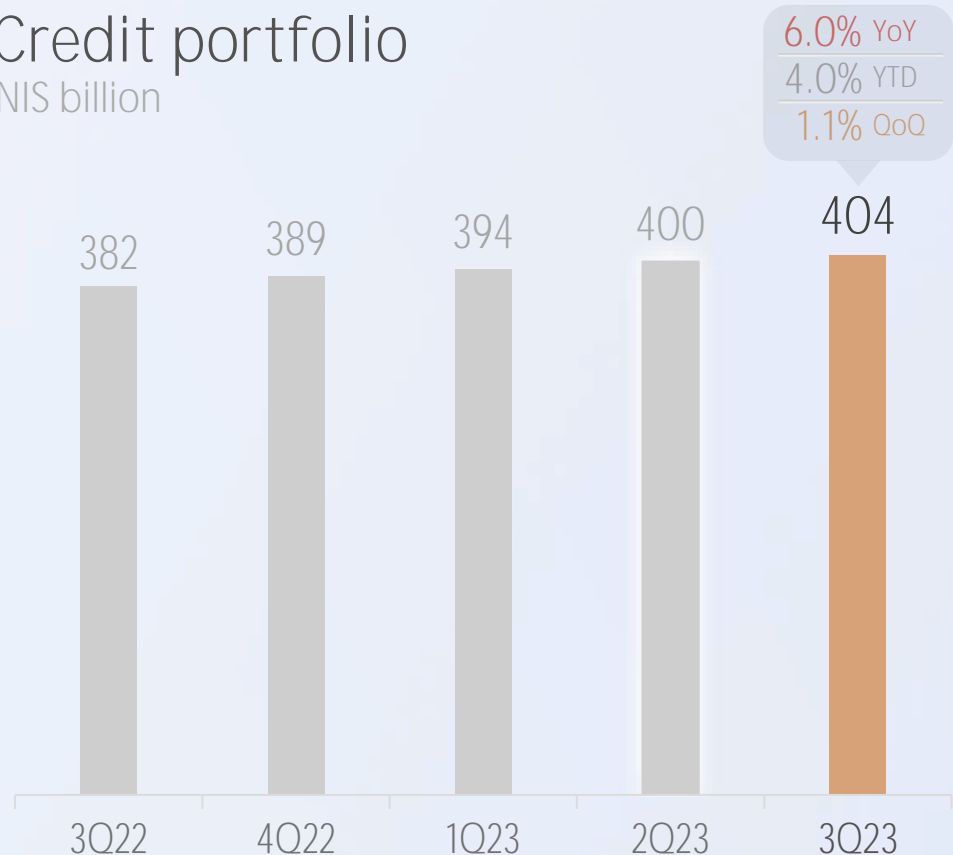
The change in CPI & its contribution to income



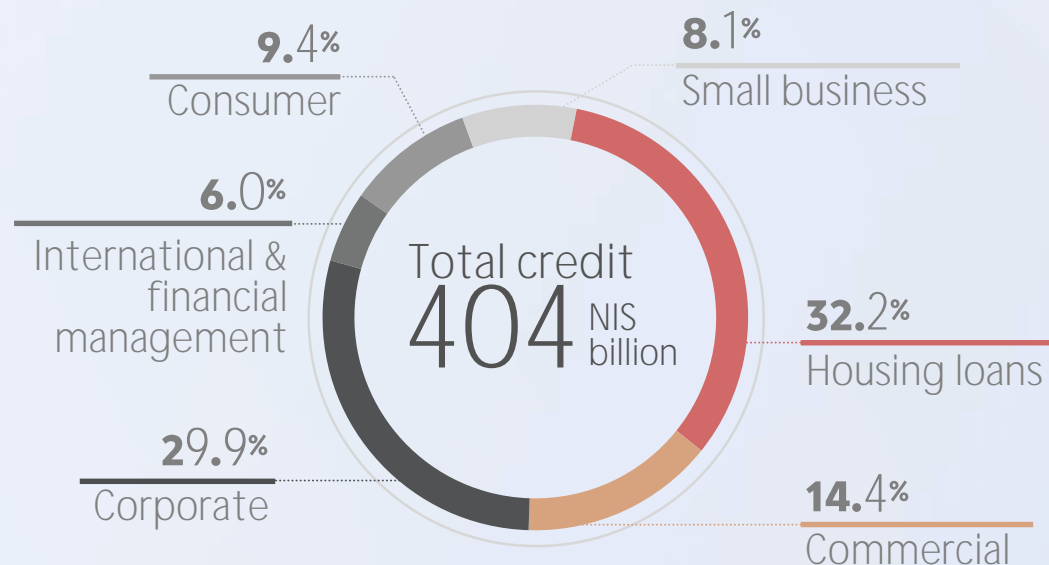
Responsible credit growth; alignment over time of the growth pace with the changing environment

Credit portfolio

NIS billion



Well-diversified credit portfolio



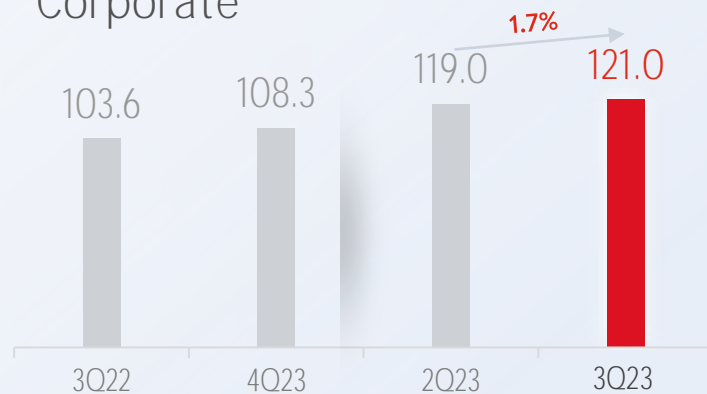
Credit growth in line with sector and macro dynamics

NIS billion

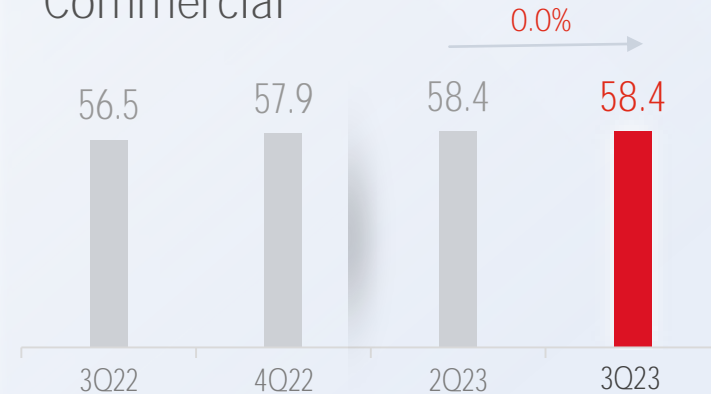
Total credit



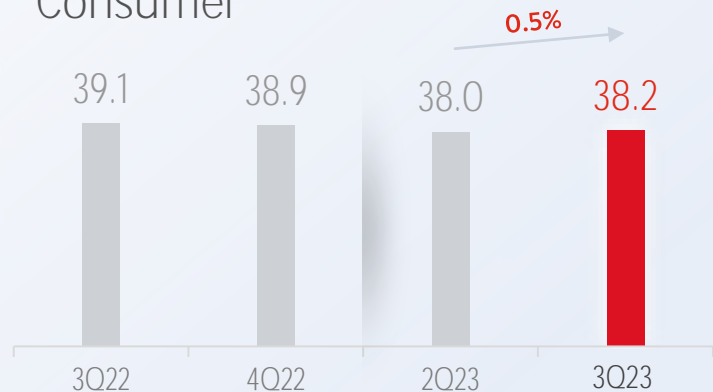
Corporate



Commercial



Consumer



Housing loans

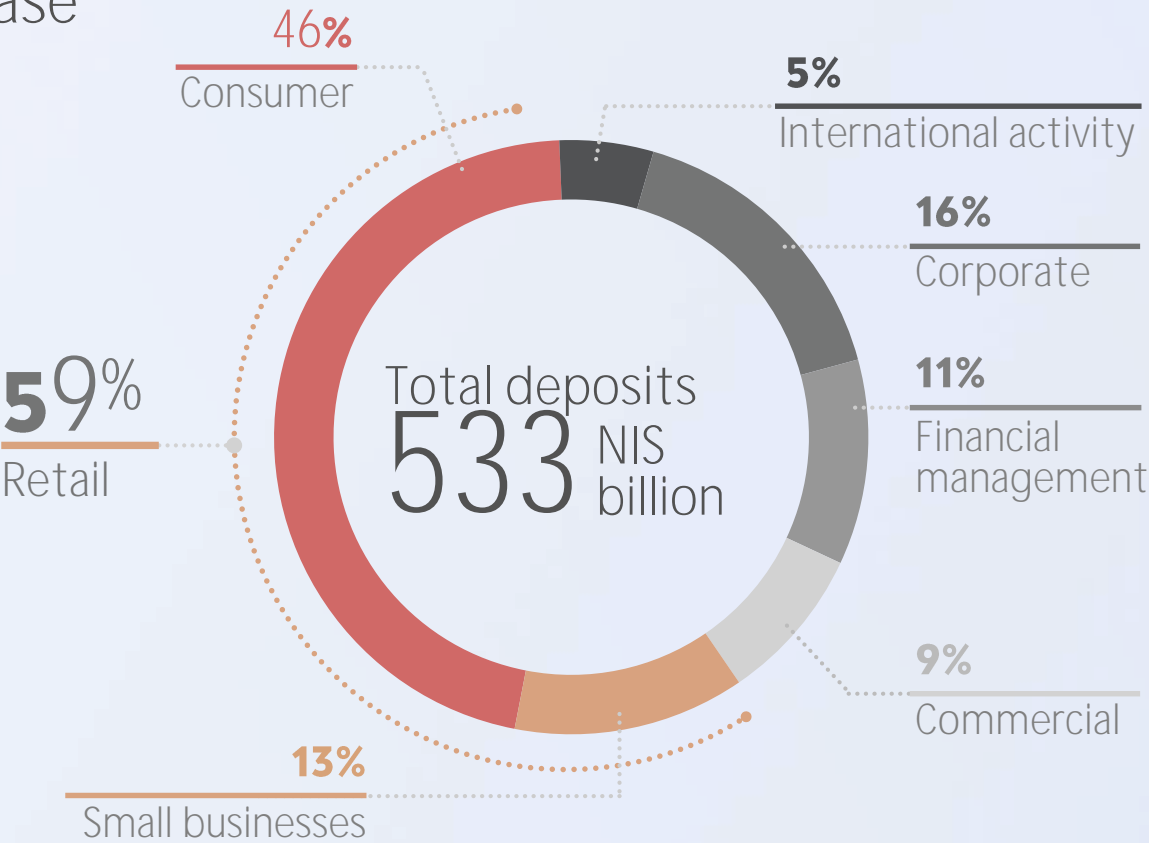


Small business

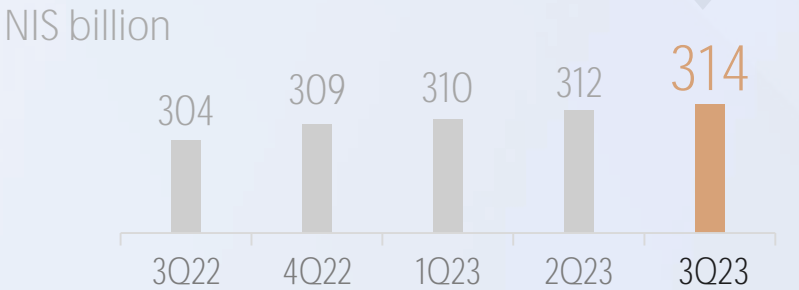


Sound funding base; strong liquidity buffers in place

Deposit
base



Largest
retail deposit base
in the sector



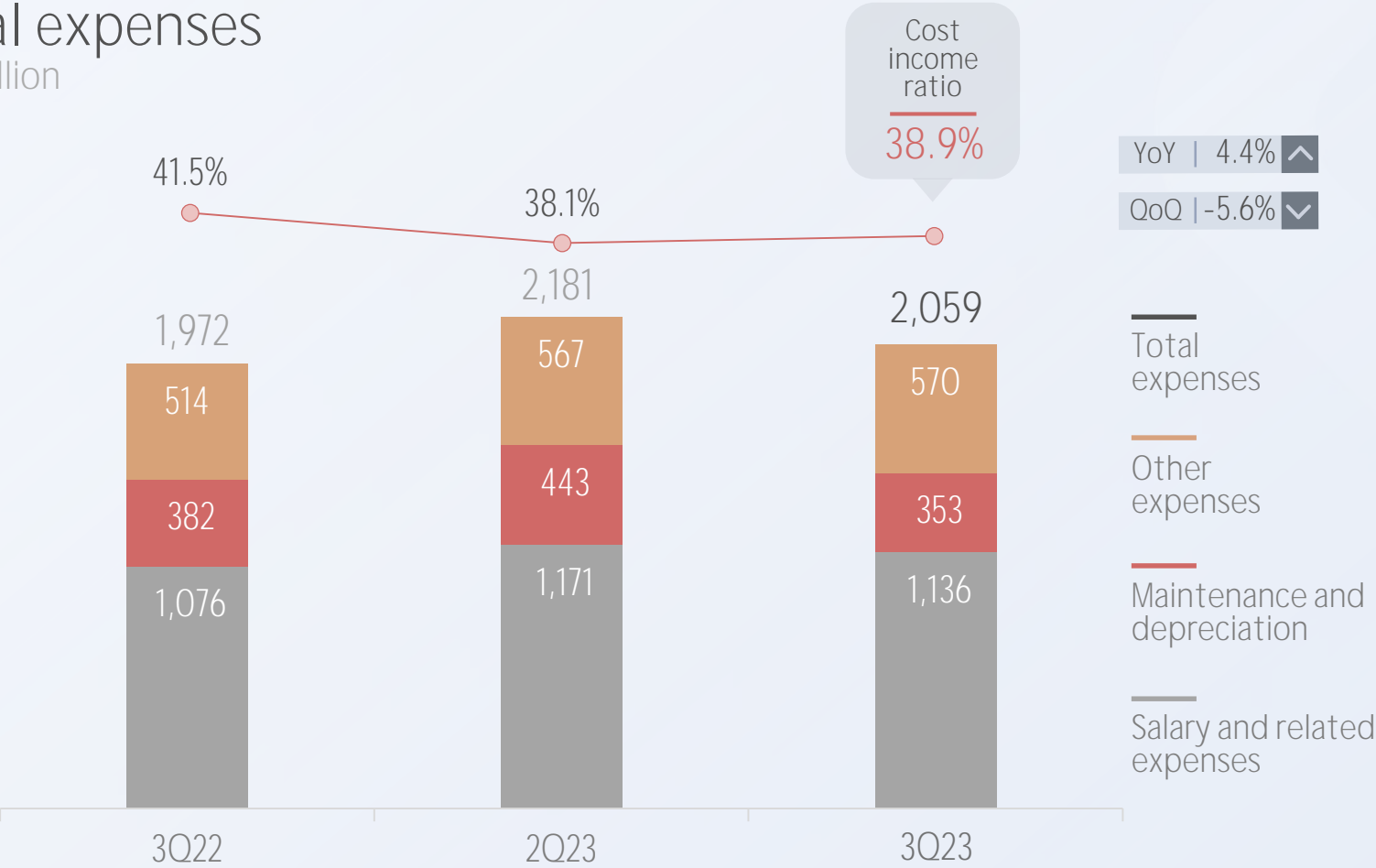
28% Non-interest bearing deposits of total deposits (36% at YE2022)

LCR 124% NSFR 125%
Above regulatory requirement of 100%

Robust efficiency metrics

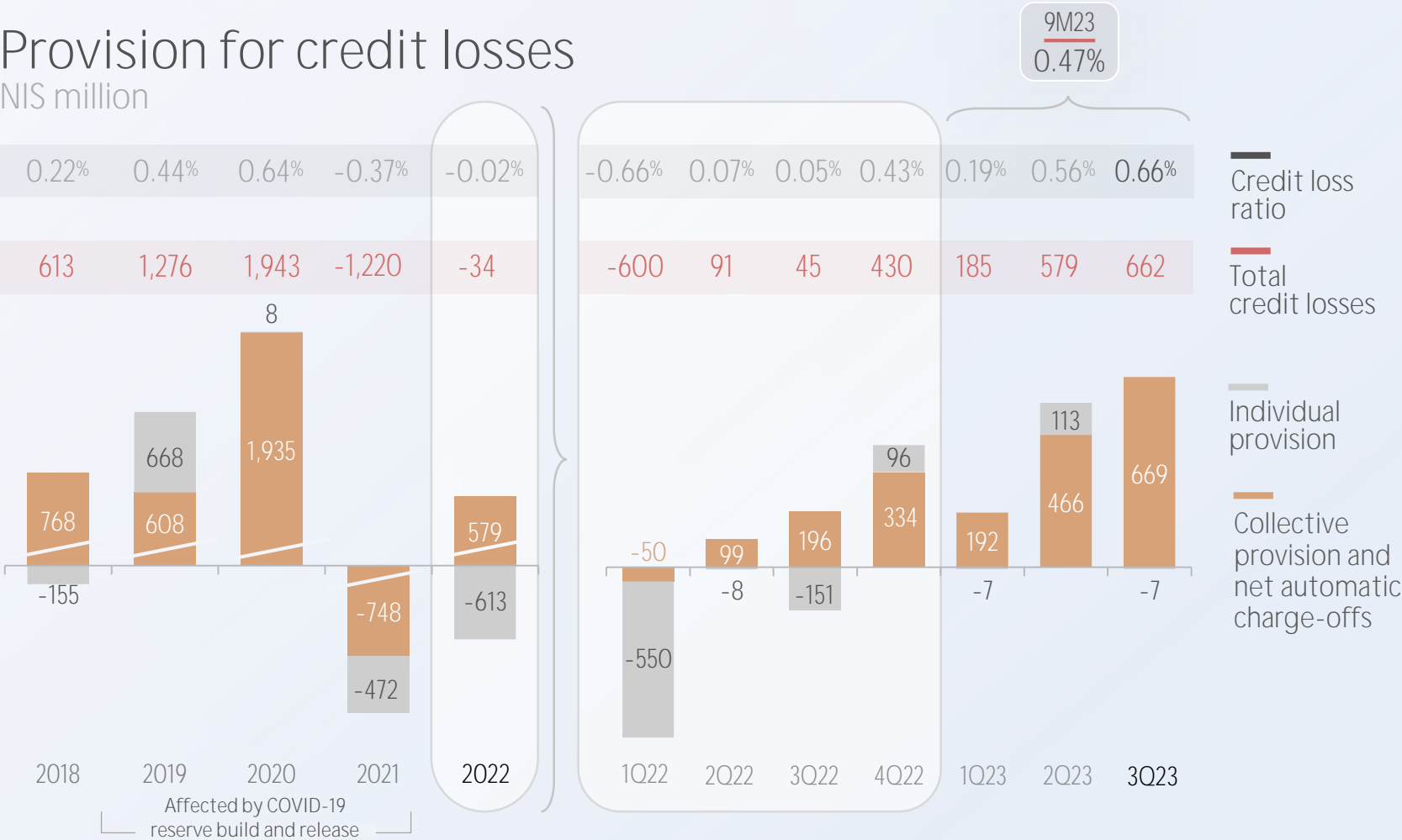
Total expenses

NIS million



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

Provision for credit losses
NIS million



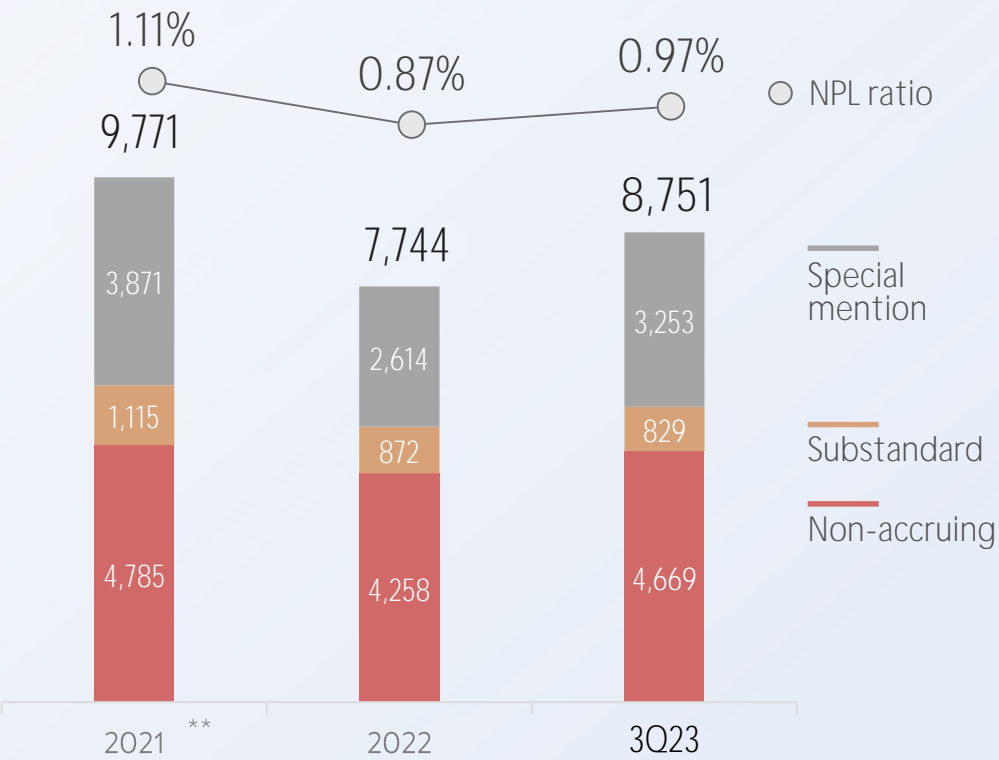
Consistent increase in the collective provision in previous quarters, to reflect macroeconomic effects, in view of the increase in the probability of economic deceleration and a high interest-rate environment over a long period;

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

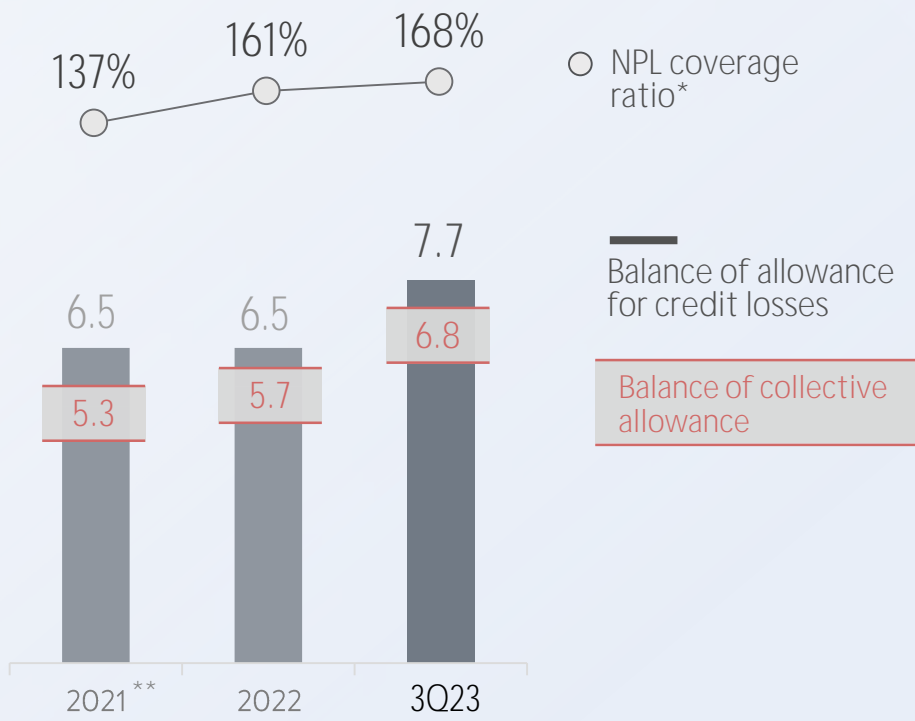
Individual provision remains low, affected by **recoveries**.

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

Total problematic debt & NPL ratio
NIS million



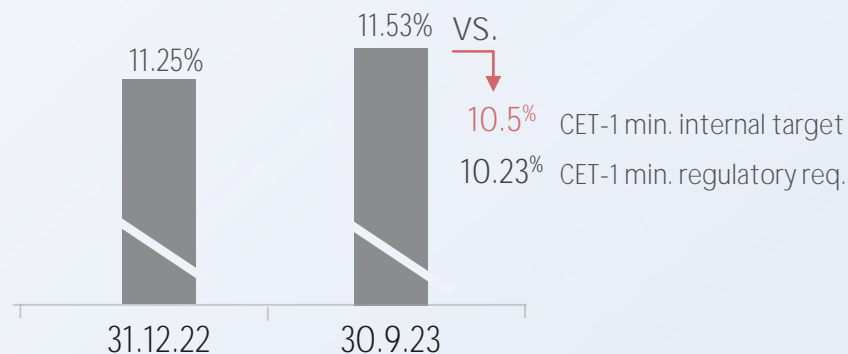
Allowance balance & NPL coverage ratio
NIS billion



* 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



Dividend distribution

20% dividend
in respect of 3Q23 profit

334
NIS million

High dividend yield*

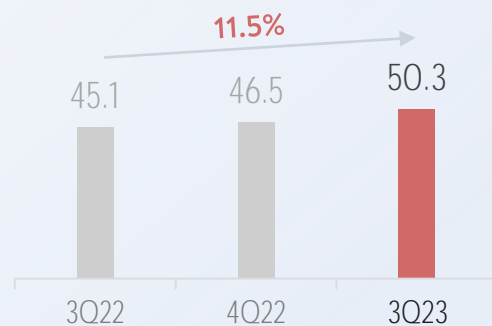
in respect of
the last four
quarters'
profits

2.4 NIS billion
Dividend
declared

5.8%
Dividend
yield

Strong growth in shareholders' equity

NIS billion



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**)

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

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

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

5

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

3

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

6

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



3Q23 Quarterly Financial Review



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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