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Bank Hapoalim

Annual Report 2023



Disclaimer

This presentation includes condensed information and selected data from Bank Hapoalim's 2023 annual financial results.

This presentation is not a substitute for the Bank's 2023 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.

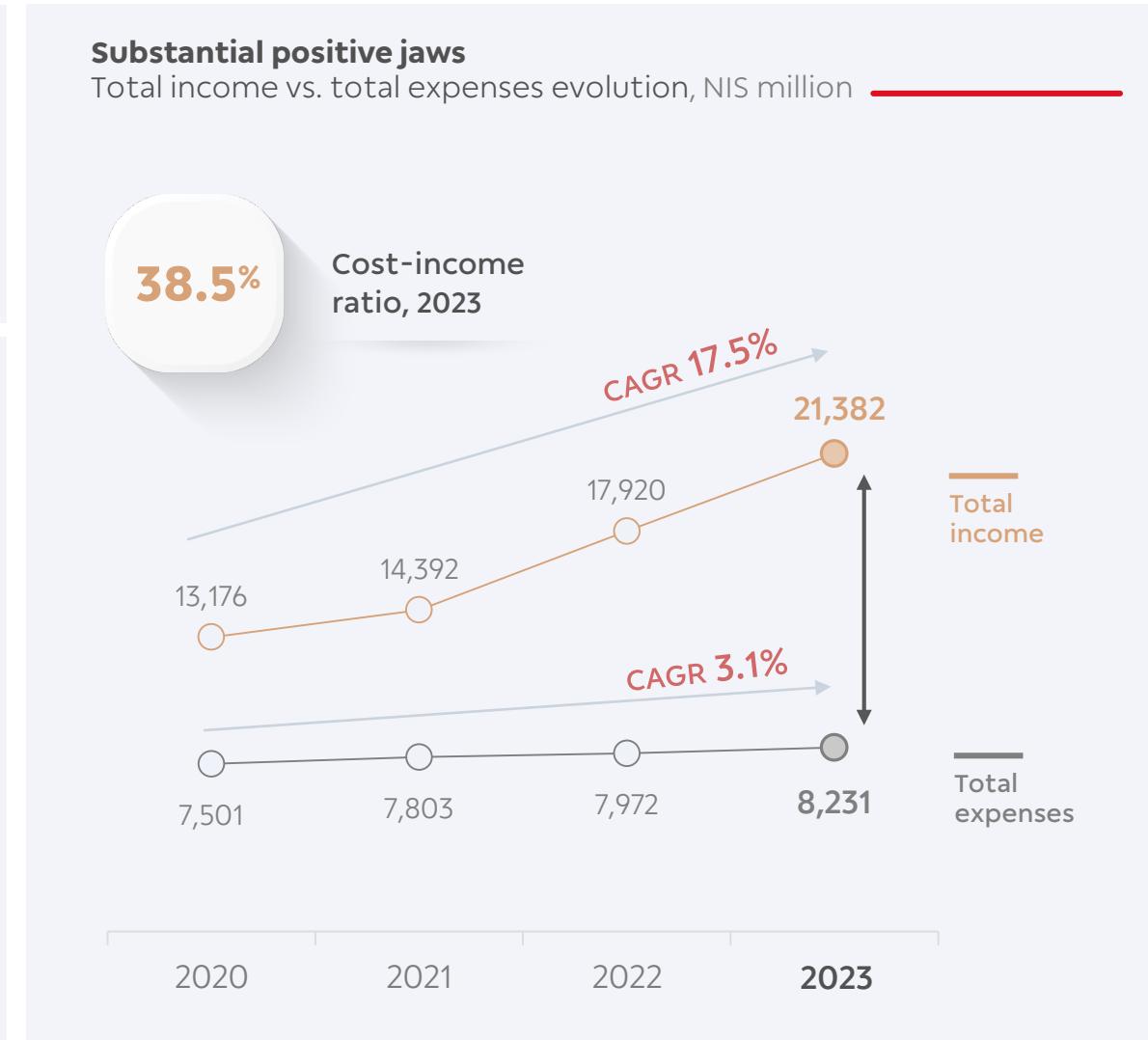
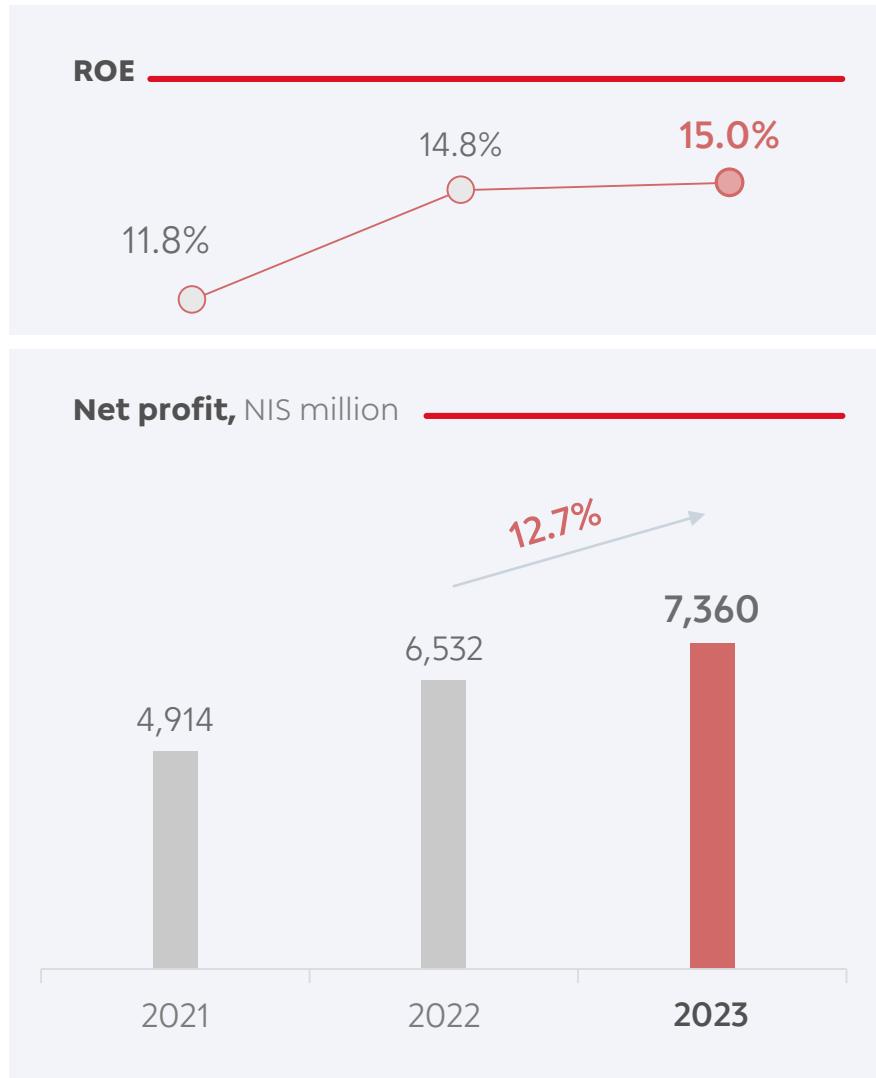
Special items in ROE, net profit and expenses refer to provision made in relation to the investigation of the US authorities.



2023 Annual Financial Review

Dov Kotler, CEO
CEO comments

2023: Another year of robust profitability and efficiency



Note: Excluding special items, net profit for 2021 totaled NIS 4,957 million (ROE of 11.9%) and total expenses for the years 2020 and 2021 are NIS 7,487 million and NIS 7,753 million respectively.

Following the initial shock, economic activity is recovering; still several economic challenges ahead

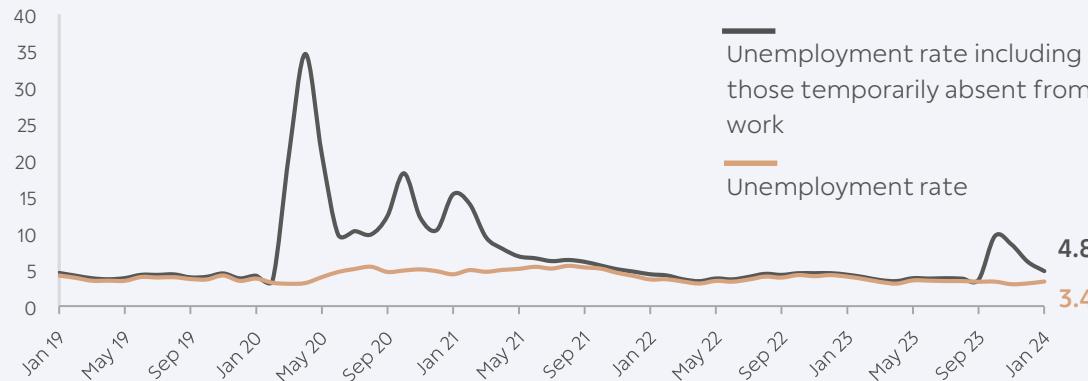
Economic "routine" in most sectors

Credit card purchases, index; source: CBS



Labor market is gradually recovering

Source: CBS



Economic challenges ahead

100k

Number of evacuees (approx.) from border communities in Israel, to date

~100k

Shortage in construction workers (mostly Palestinians)

-80%

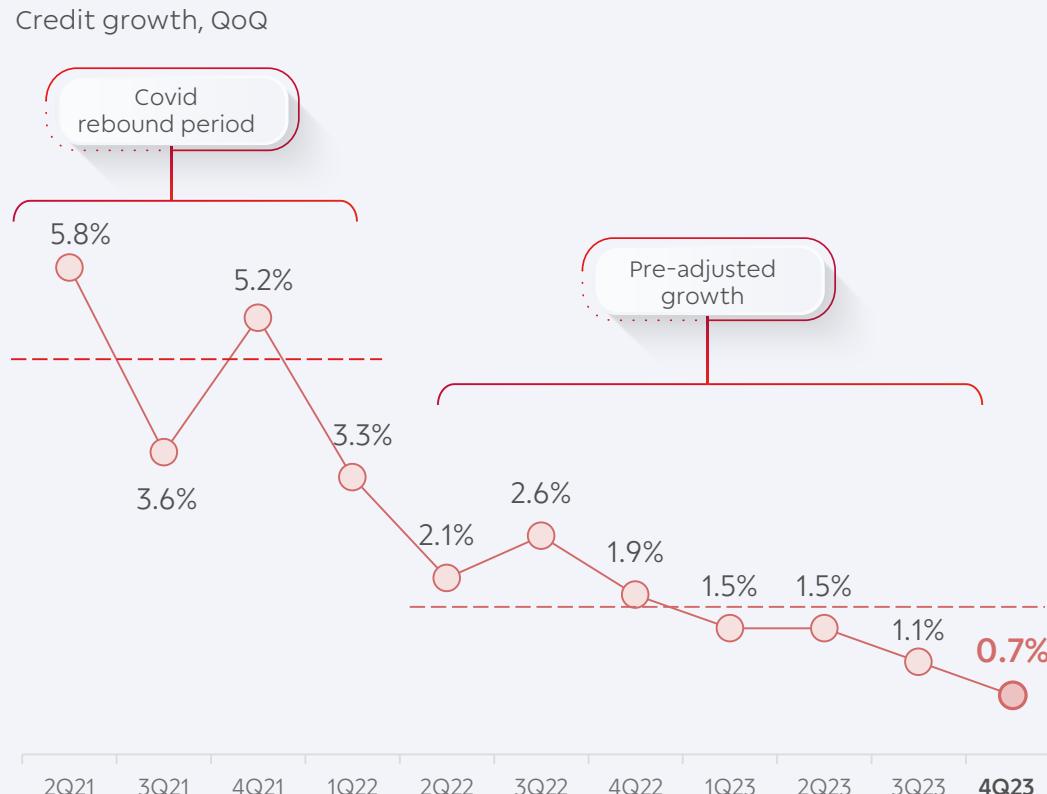
Drop in incoming tourism

120 bps

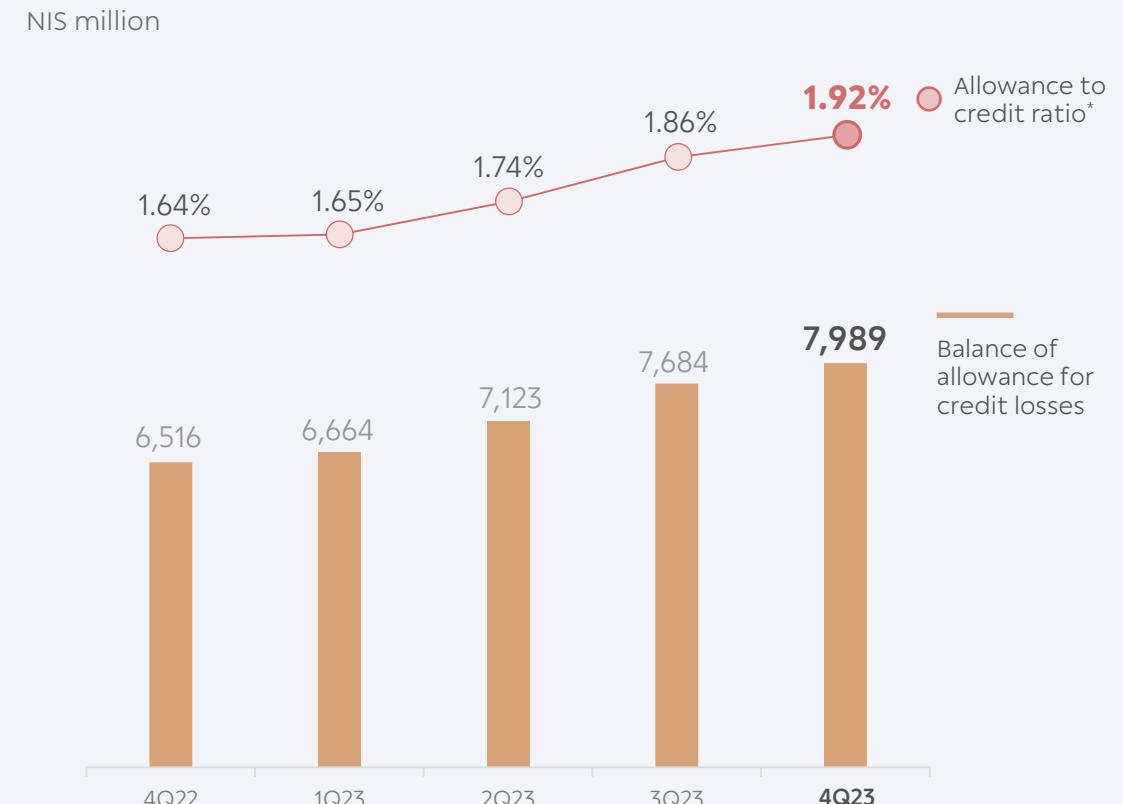
Israel's risk premium increased and remained elevated

Well-prepared for potential negative developments due to pre-adjusted growth pace and continued build of allowance buffer

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

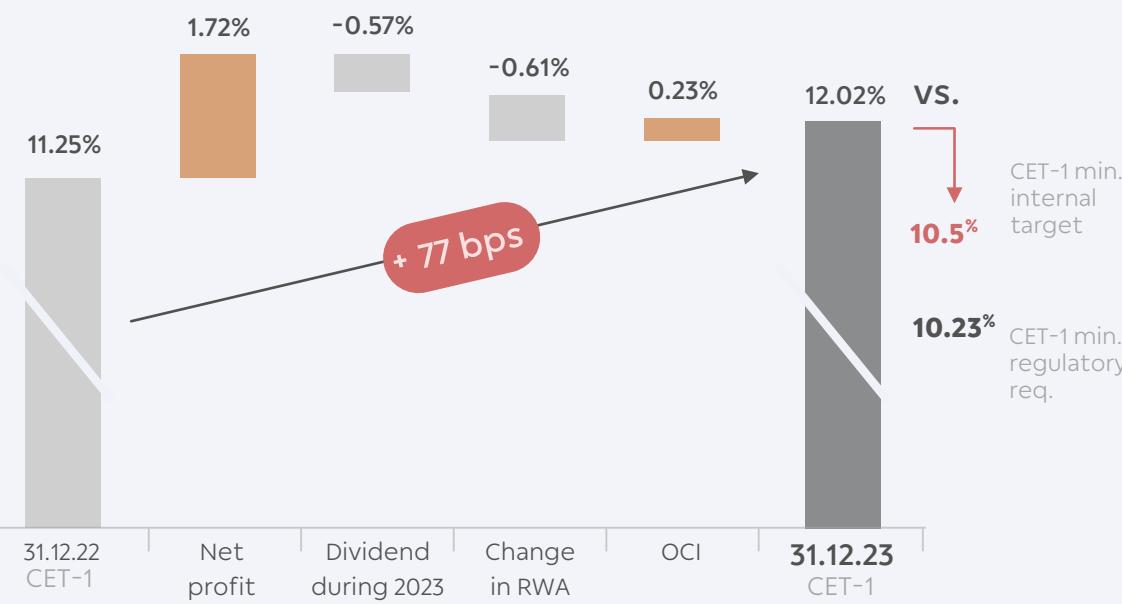


...while consistently building the allowance buffer

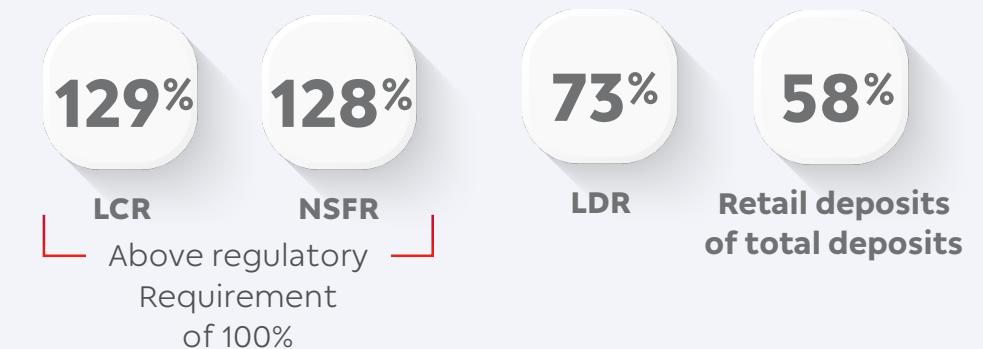


Strengthened capital and liquidity position will allow for future realization of opportunities

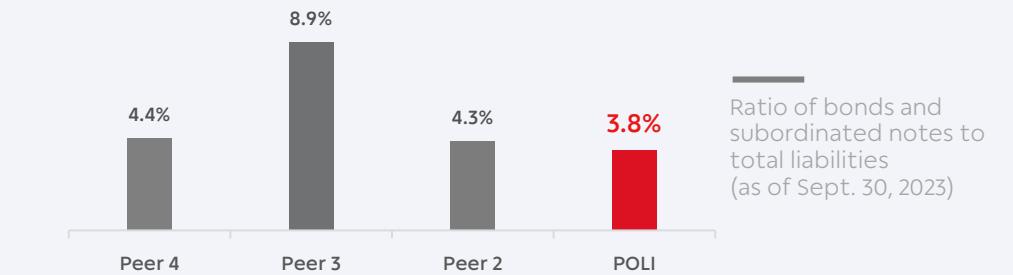
Organic capital generation boosted by strong growth in profitability



Ample liquidity mainly based on retail deposits

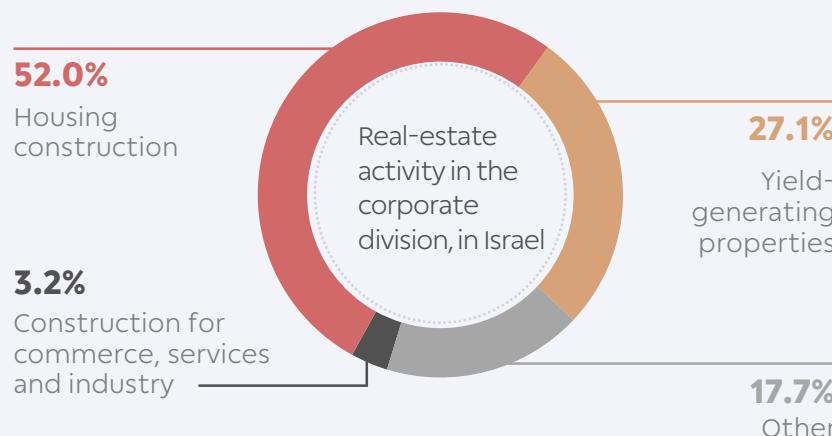


Less reliant on capital markets for funding



The bank's position is supported by high underwriting standards and a responsible risk-management approach

Focus on customers whose main sector of activity is housing construction*



High underwriting standards in the real-estate and mortgages sectors**

~7% of land financing **with LTV>80%**

~3% of completed properties financing **with LTV>80%**

99% of real estate under construction **with absorption capacity of over 25%**

The **absorption capacity** of the projects is the maximum possible rate of decline in the value of the asset as completed without the Bank incurring losses from the projects

Sound buffers for any development

2.47% Allowance to loans in the real estate sector in Israel

46% Average **LTV** of housing loans

* For full disclosure regarding segmentation of credit risk in the construction and real-estate sectors in Israel, by customers' principal area of activity, refer to table 3-6 in the annual report.

** For full disclosure regarding credit risk in the real-estate sector at the Corporate Banking Division in Israel, by financing rate (LTV) and absorption capacity refer to table 3-8 in the annual report.

Pioneering and proactive in supporting our customers

100
NIS million



Founded an aid fund, dedicated to rebuilding of the communities affected by the war in the south of Israel. The fund will collaborate with local council leaders, based on a mapping and prioritization process to identify specific needs and uses.



Banking support

We created a support system for the relatives of the casualties and hostages among our customers: we offered personal service by employees at the bank, in order to deliver quick solutions for all of their banking needs. In February 2024, we also opened a contact center dedicated to our customers who have been injured during their service in the military or security forces in the Swords of Iron War, to respond personally to their banking-related requests.

Comprehensive support for customers

The bank expanded the BOI assistance program and offered its customers further benefits, including mortgage and loan deferrals, fee and interest waivers, interest-free overdrafts and special loans.

Total benefits amounted to NIS 159 million as of Dec. 31, 2023.

As of the date of publication, an additional NIS 59 million will be booked in 1Q24.



Emergency aid

The bank set up an emergency network and provided emergency aid at a volume of NIS 10 million for immediate needs in various areas, including donations to rescue organizations, hospitals, non-profit organizations providing mental-health support, the Hostages and Missing Families Forum, and aid for displaced families. The bank also acted to raise donations through the Bit app, where NIS 14 million has been collected for similar purposes.

Poalim 2026: moving forward with our strategy amid the war

**Professional
excellence &
leading service**

Continued leadership in
corporate banking and
capital markets

Adaptation of the retail
banking operating model

Resource optimization
and greater productivity

Differentiating and
influential innovation

**Responsible
growth**



CTRO Unit





2023 Annual Financial Review

Ram Gev, CFO
Financials

Execution of our strategy delivered another year of strong results

Robust profitability

Driven by income growth coupled with cost discipline to create substantial positive jaws

ROE

15.0%

2023

14.0%

4Q23

Outstanding income growth

Higher annual financing income driven by rate hikes and growth in activity; trend in interest rate and CPI changed during the year

Total income

19.3%

YoY

-5.6%

QoQ

Responsible growth

Growth pace pre-adjusted to the changing environment

Credit growth

4.8%

YoY

0.7%

QoQ

Continued cost discipline; cost-income historically low

Improved productivity metrics

Cost-income ratio and productivity

38.5%

2023 C/I ratio

18.8%

YoY increase in income per employee

High quality loan book and substantial buffers

NPL remain relatively low; yet further build of collective allowance reserve

Credit quality indicators and credit loss allowance

0.97%

NPL

8 NIS Bn

Total allowance

174%

NPL coverage ratio

Robust capital and liquidity buffers

Growth in profitability and disciplined capital management allow for continued distributions despite the war

Capital and liquidity metrics

12.02%

CET-1

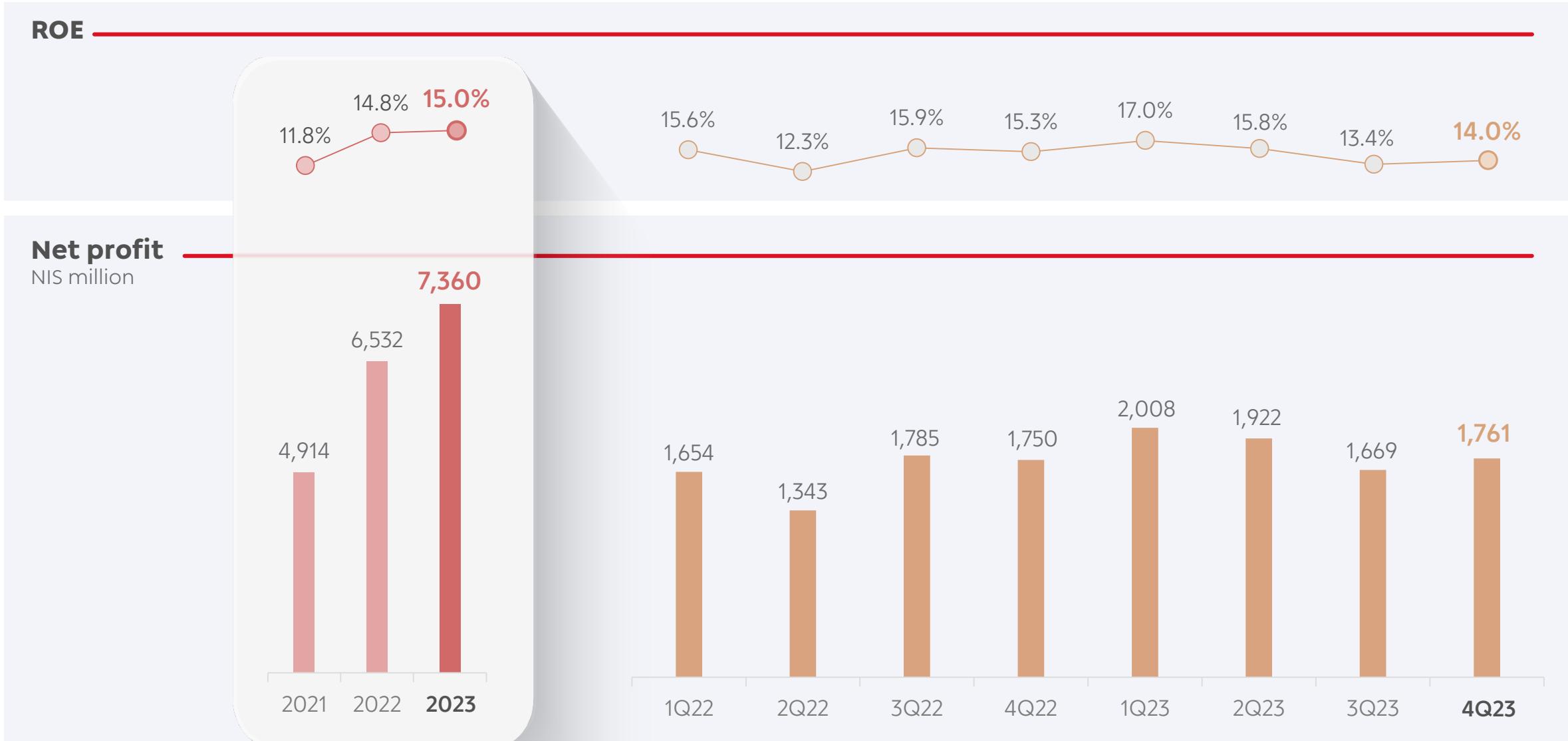
2.3 NIS Bn

Annual dividend

129%

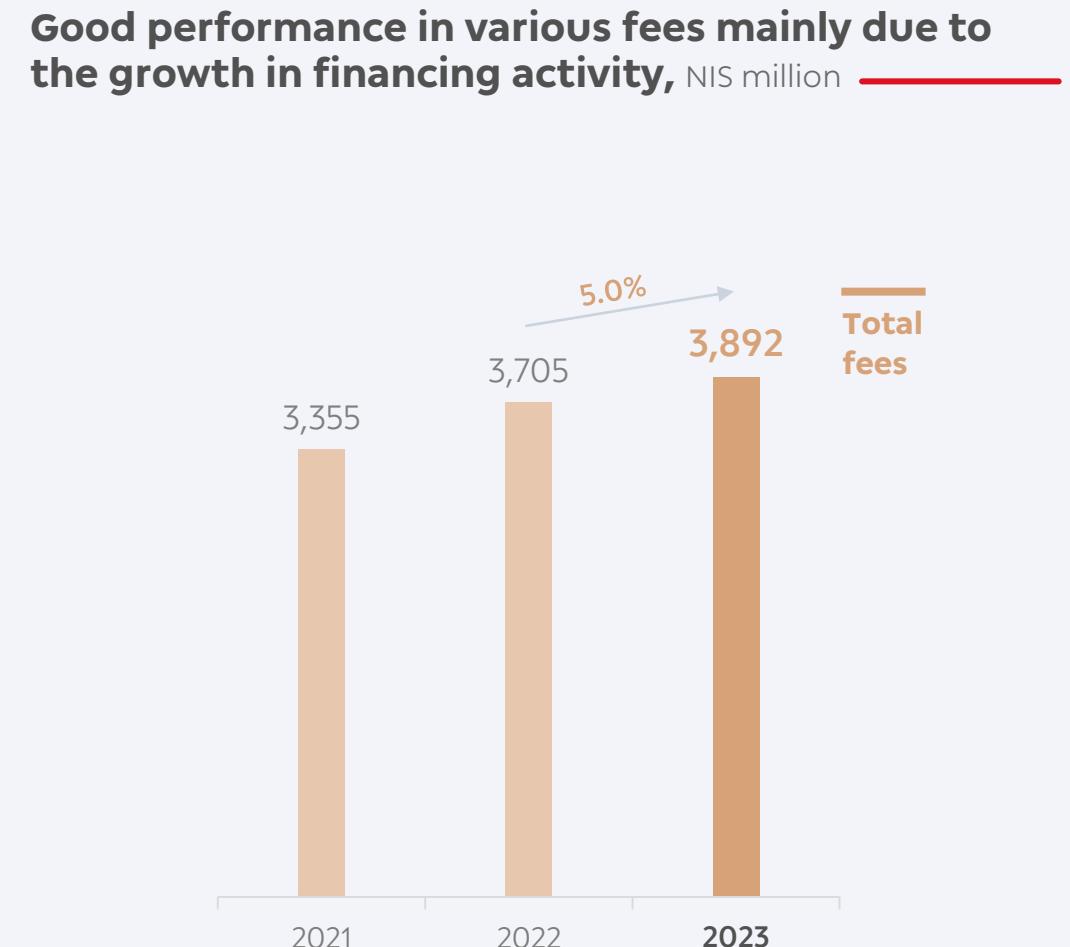
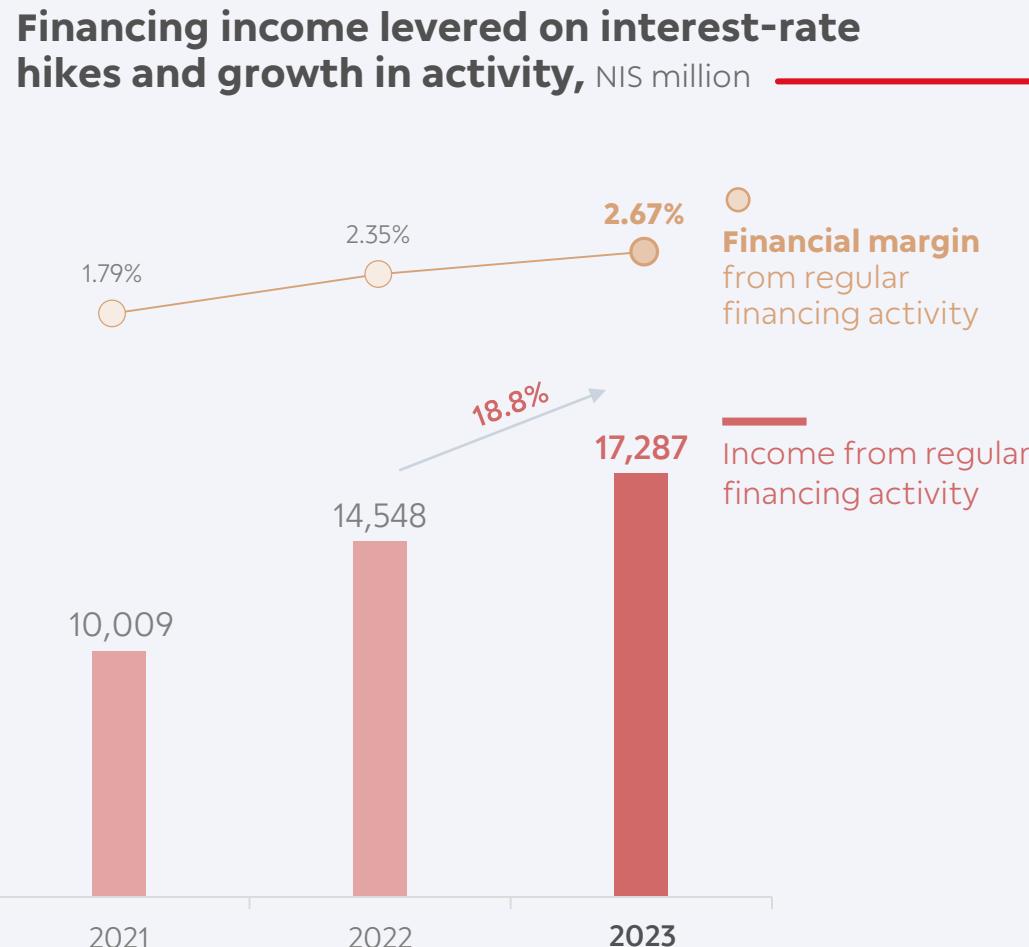
LCR

Consistently delivering robust performance

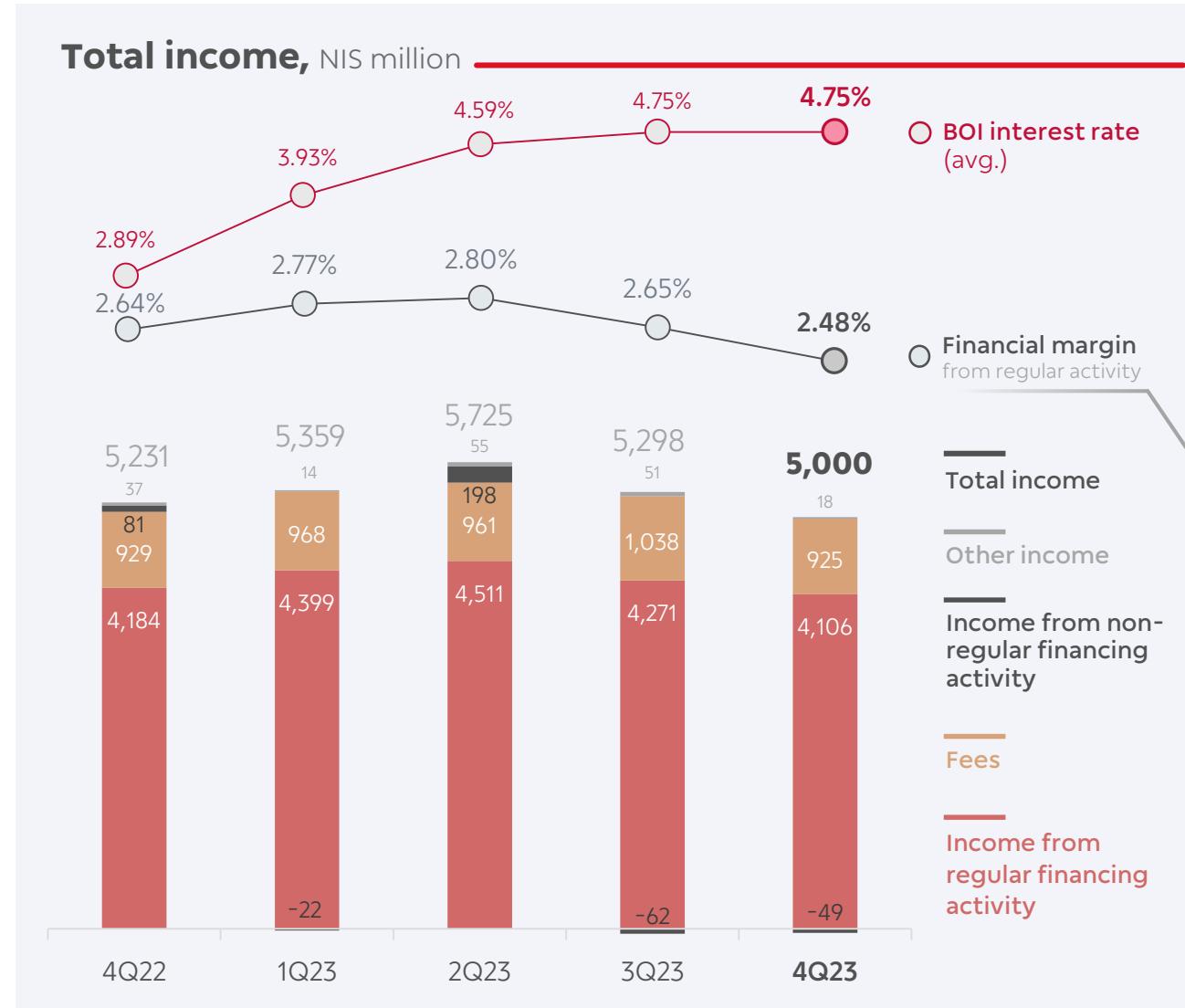


Note: Excluding special items, net profit for 2021 totaled NIS 4,957 million (ROE of 11.9%).

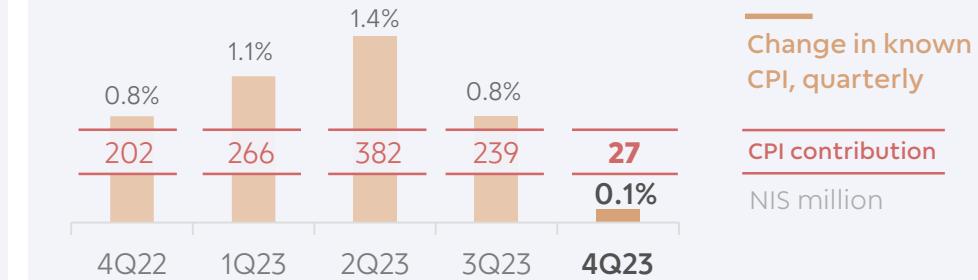
Income boost in 2023



Mixed trends in income during the year



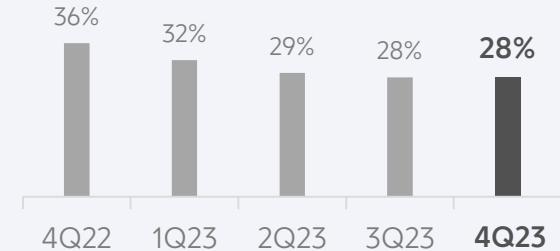
The change in CPI and contribution to income, NIS million



Financial margin in 4Q23 was impacted by lower CPI and the substantial increase in deposits

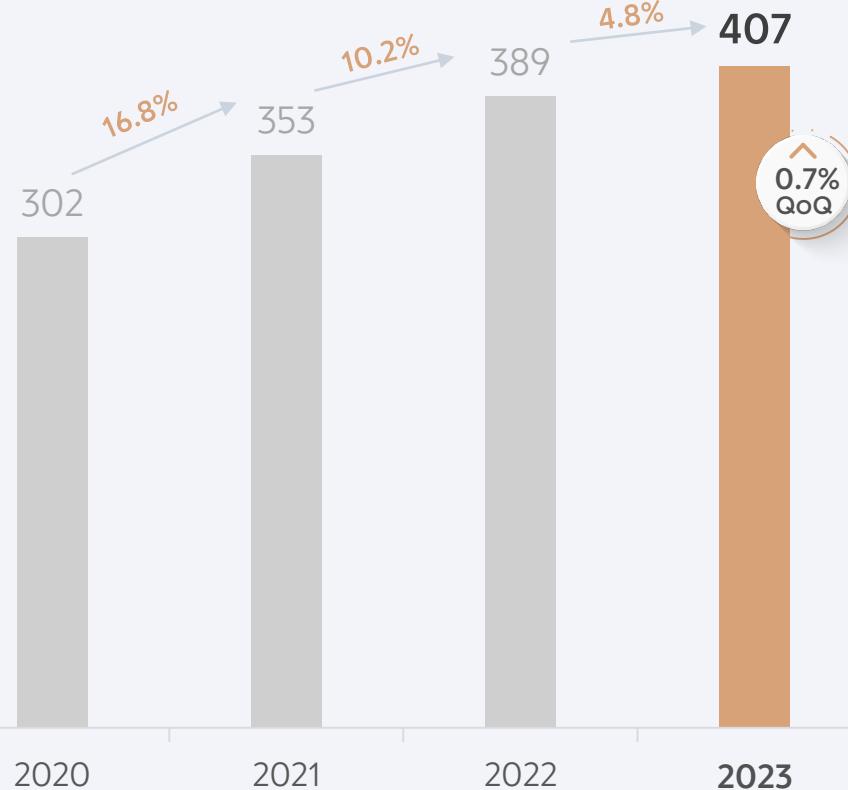


Reduction in the share of non-interest bearing deposits during the year; stabilization in the last quarter

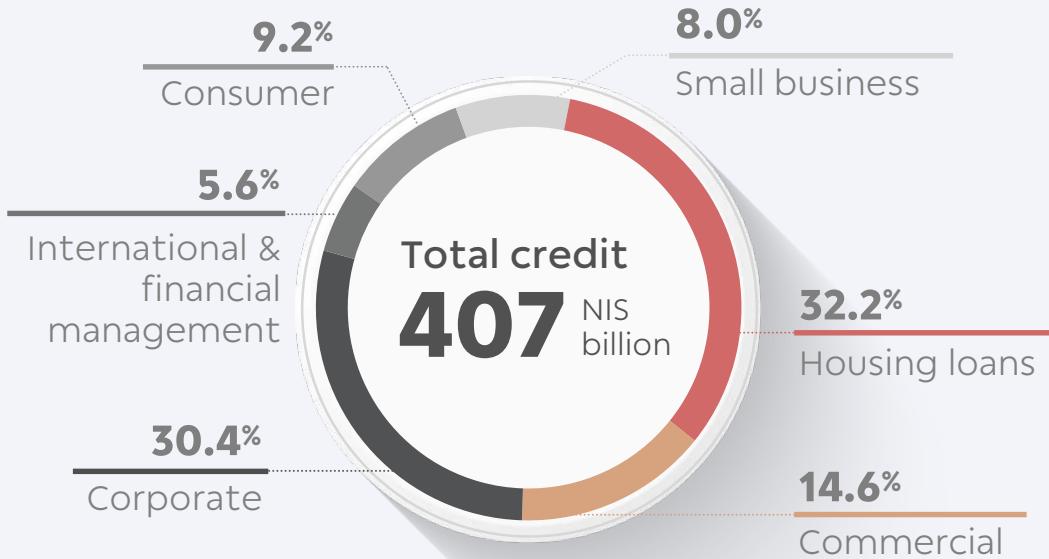


Responsible credit growth; pace aligned to the changing environment

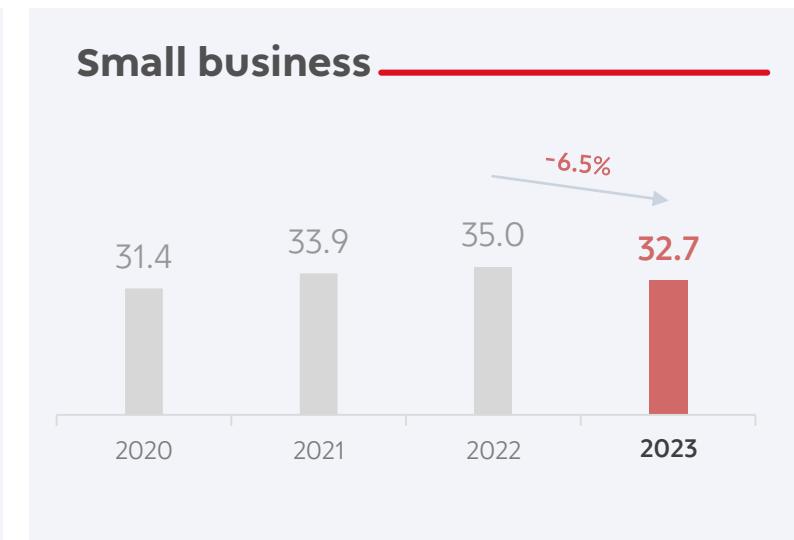
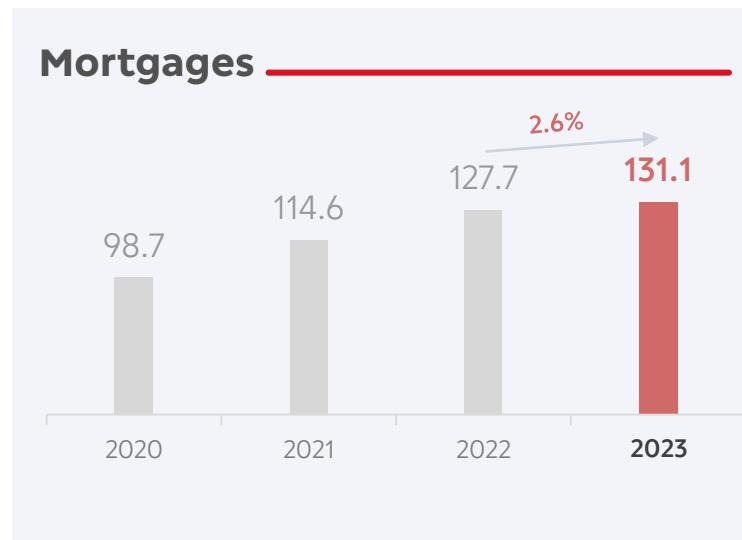
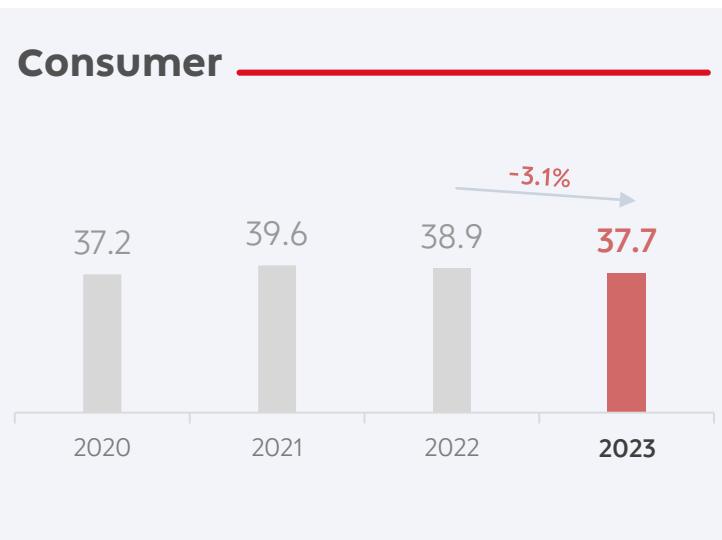
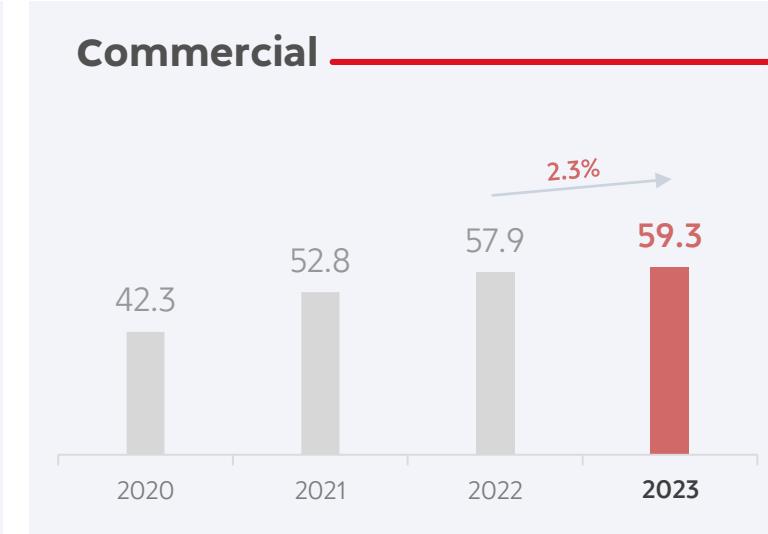
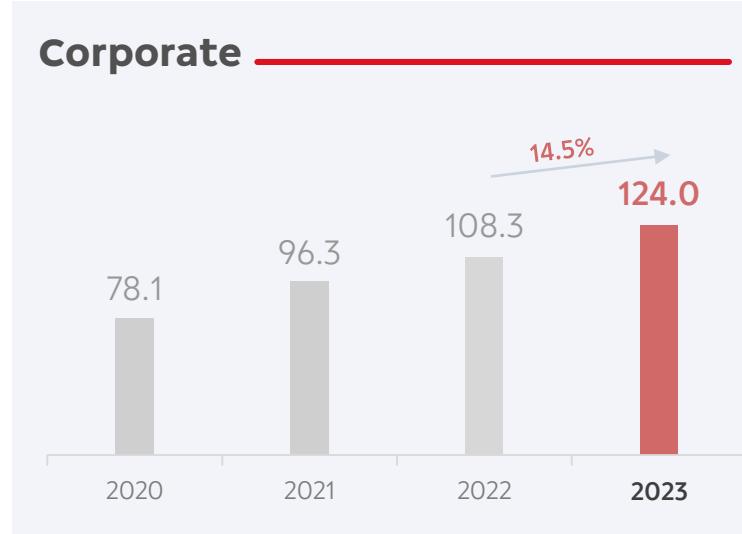
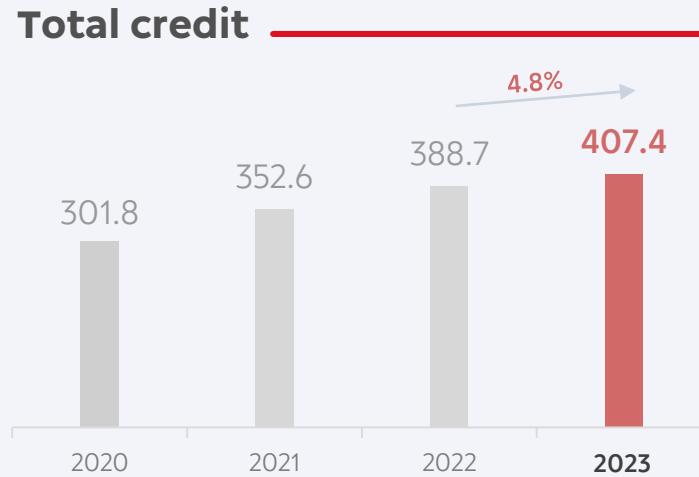
Credit portfolio, NIS billion



Well-diversified credit portfolio

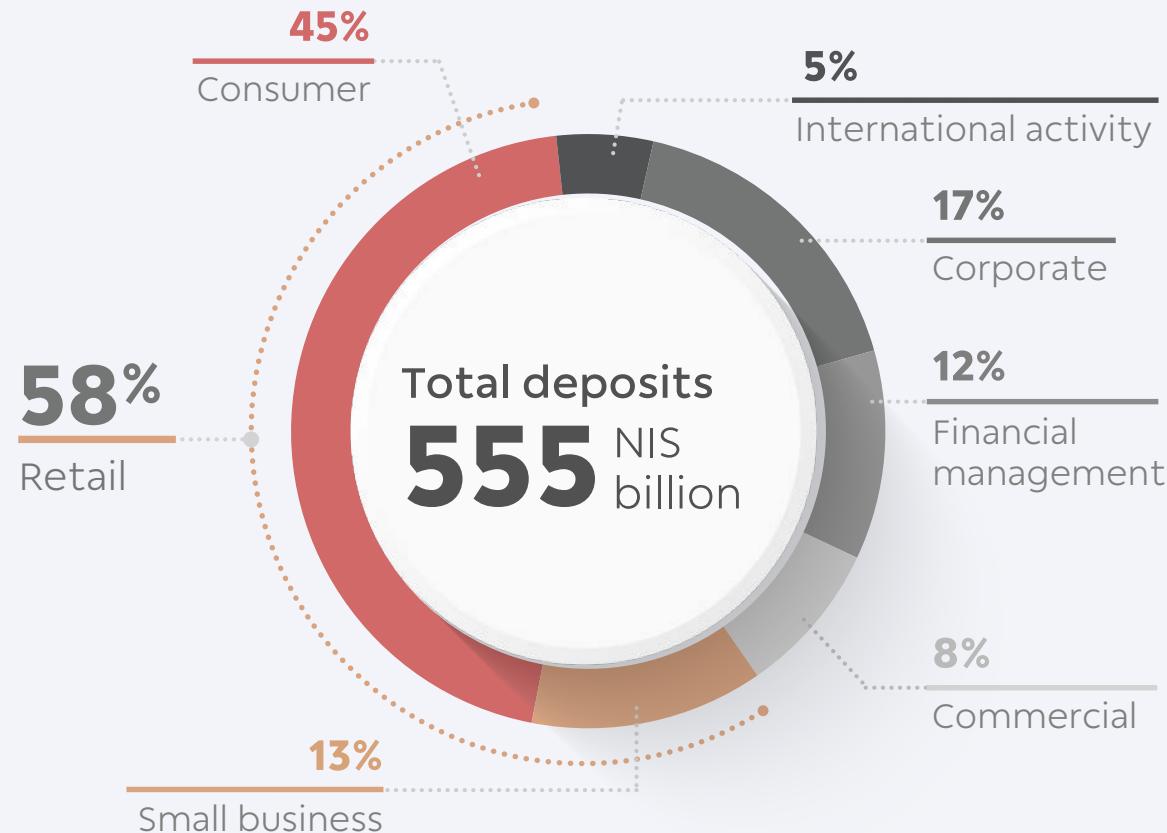


Credit growth in line with sector and macro dynamics NIS billion

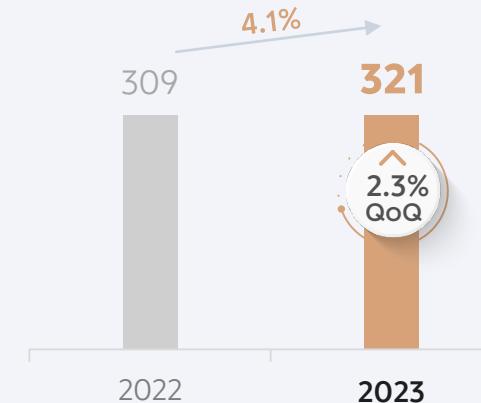


Our largest-in-the-sector retail base provides a competitive advantage

Deposit base



Largest retail deposit base in the sector, NIS billion



129%

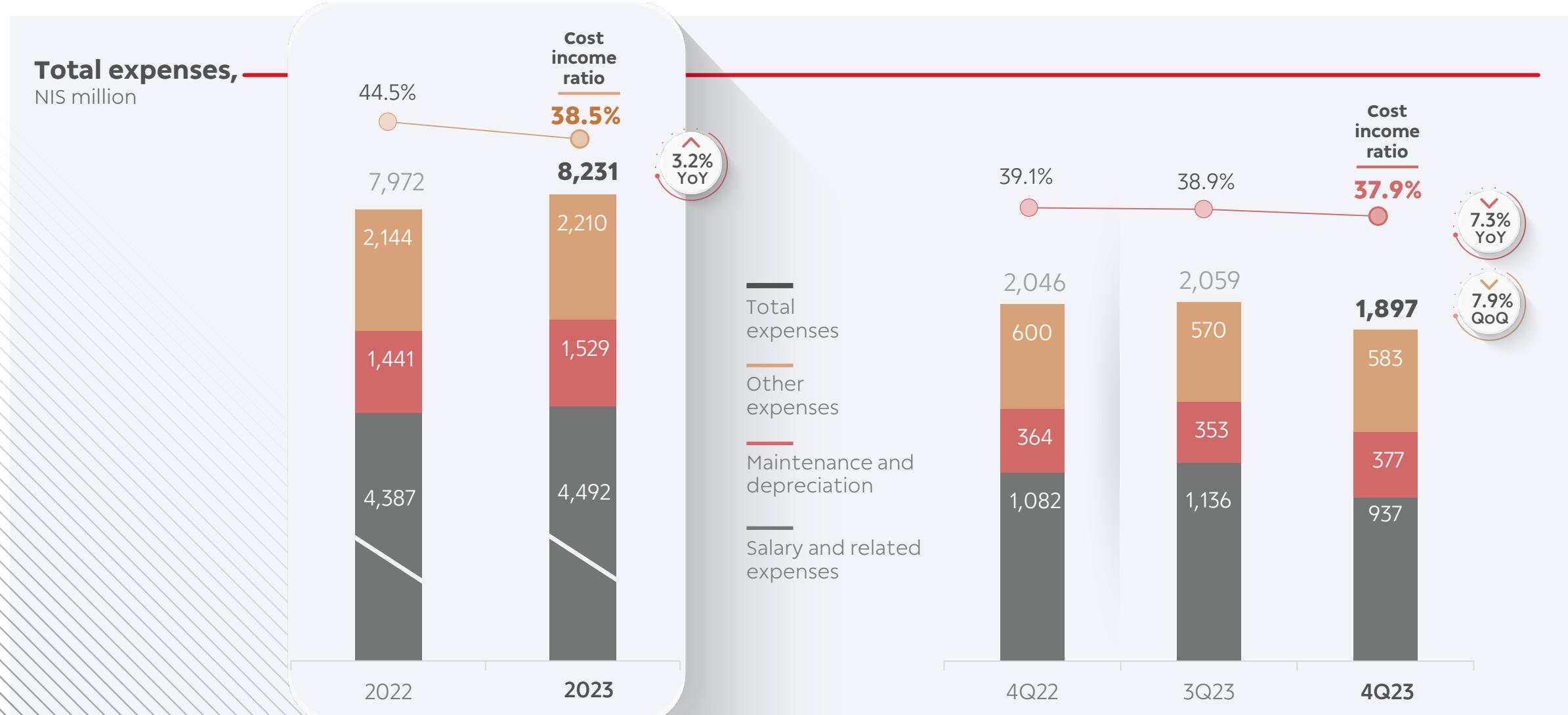
LCR

128%

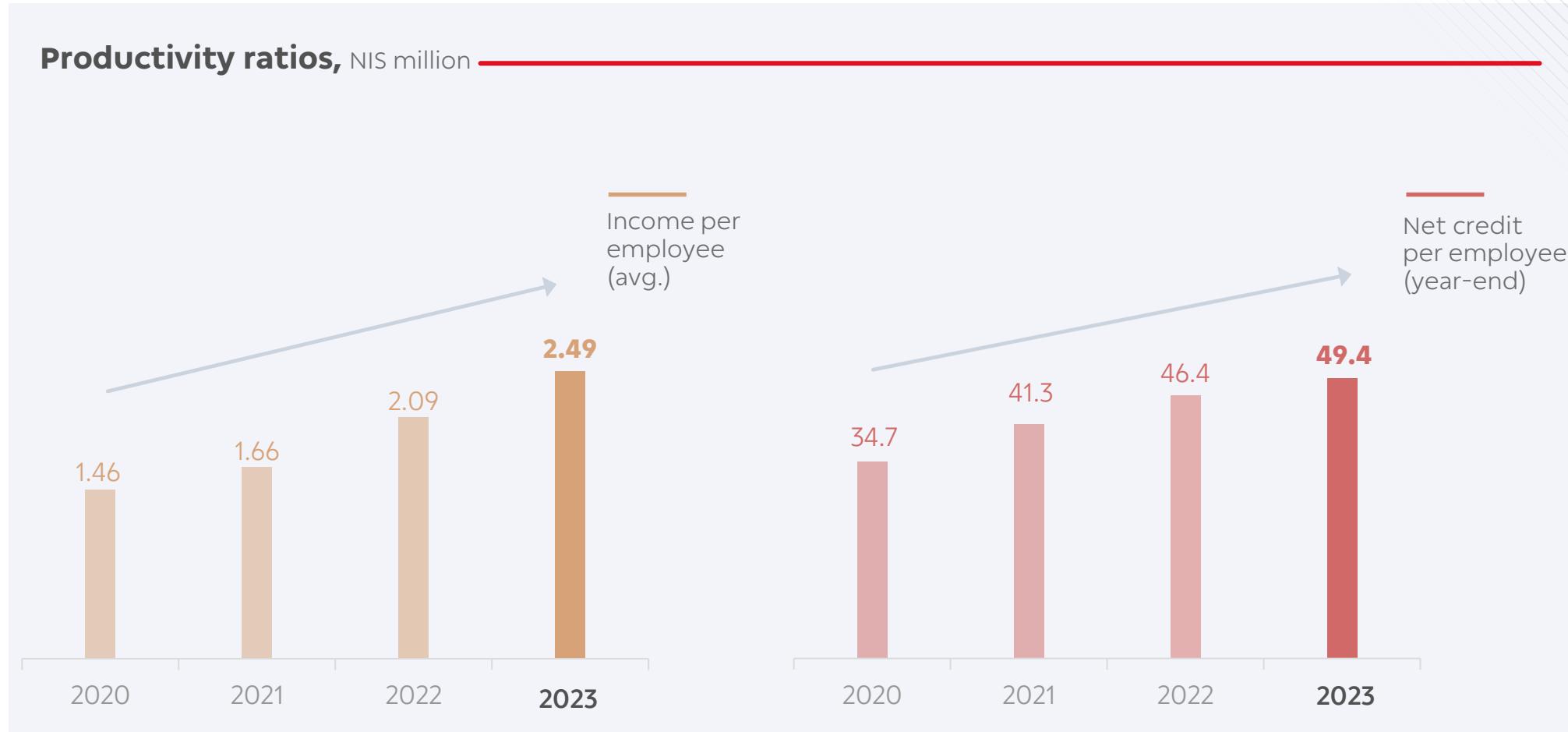
NSFR

Above regulatory requirement of 100%

Continuous cost control leading to strong efficiency ratio



Continuous improvement in productivity ratios to support future profitability



In the process of relocating to the Poalim Center; best-in-class headquarter building in prime location

Today, the bank's headquarters are scattered over eight buildings owned by Bank Hapoalim in Tel Aviv



The main sites are at **50 Rothschild Blvd. & 63 Yehuda Halevy St.**

Construction rights for a 45-story tower on an area of ~47,000 sq.m.

Mixed-use designation for residential, office, and commercial spaces

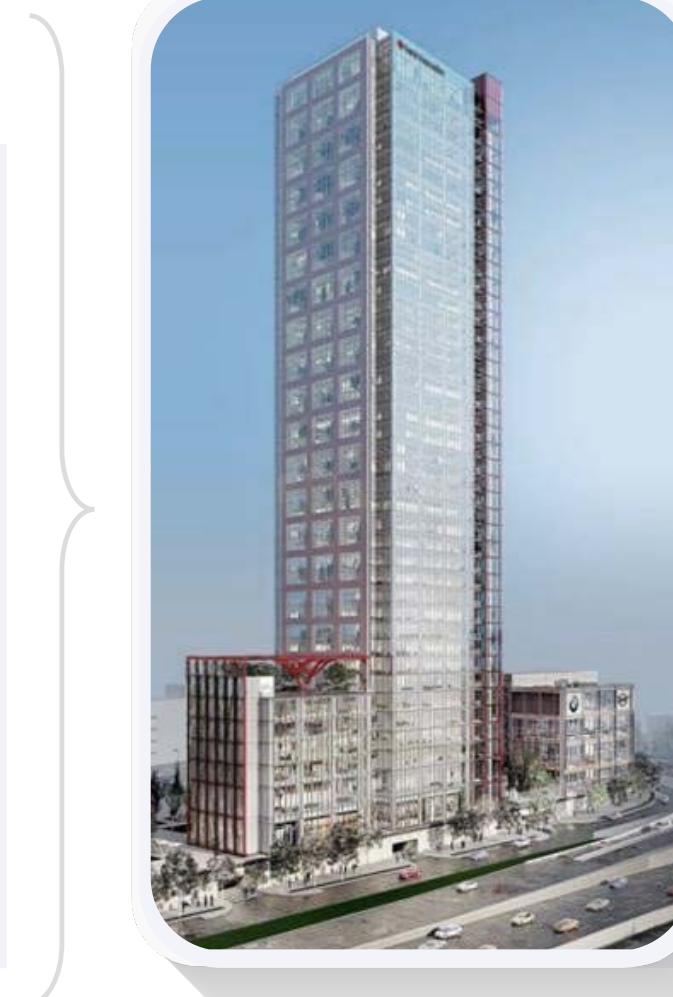


Menora building

33% owned by the Bank
Betterment plan for a 45-story tower on an area of ~ 60,000 sq.m.



Rubinstein Towers



Poalim Center

A 40-story office tower with area of ~60,000 sq.m.

A central, accessible location near a major transportation hub

An innovative, smart, tech-based tower compliant with LEED Gold green building standards

One Bank - full synergy, partnership, and agility

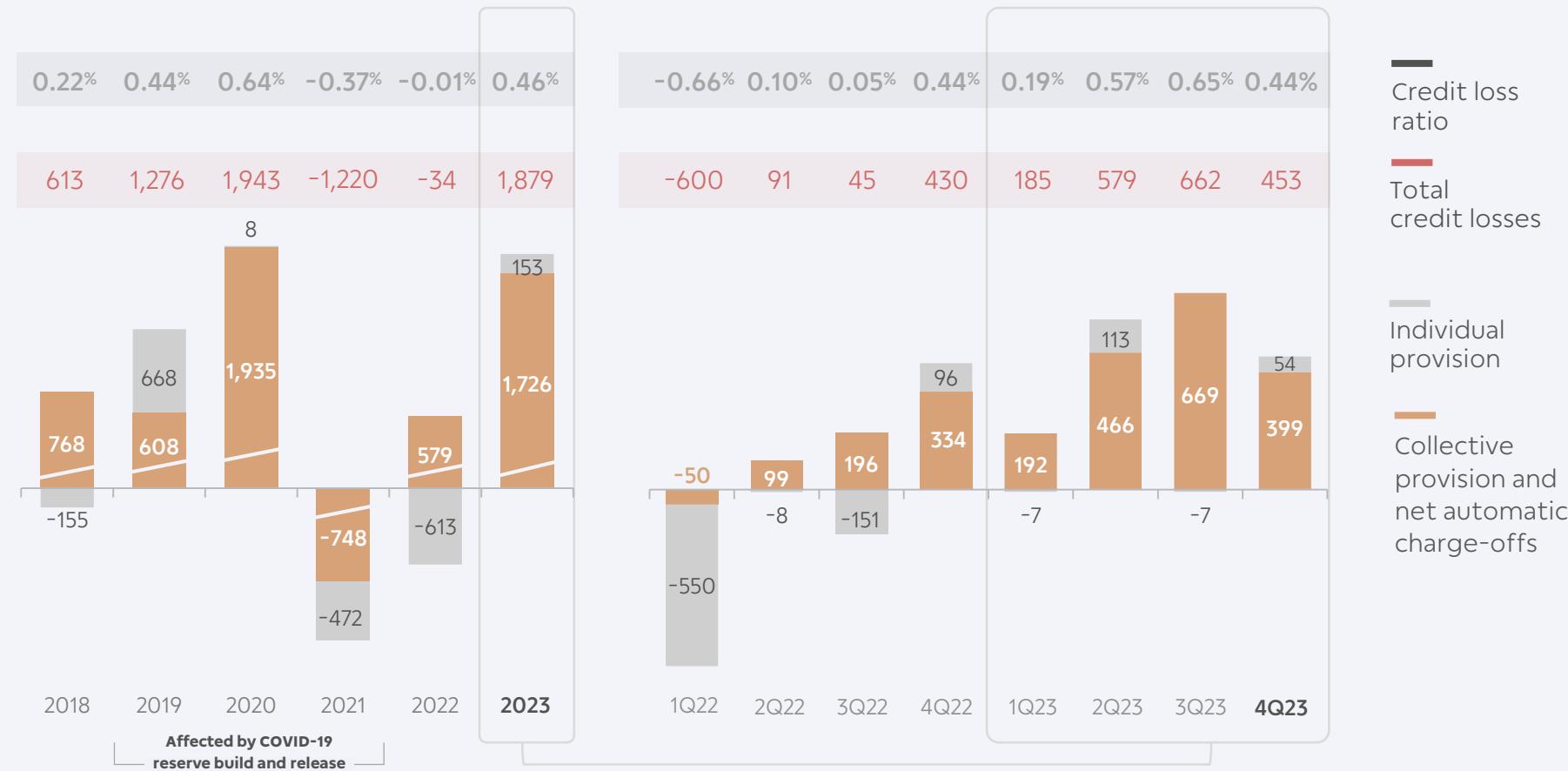
A leap forward in the **employee experience**

Operational efficiency

Relocation planned for 2026

Continuing to increase collective allowance; Individual provision remains relatively low

Provision for credit losses, NIS million

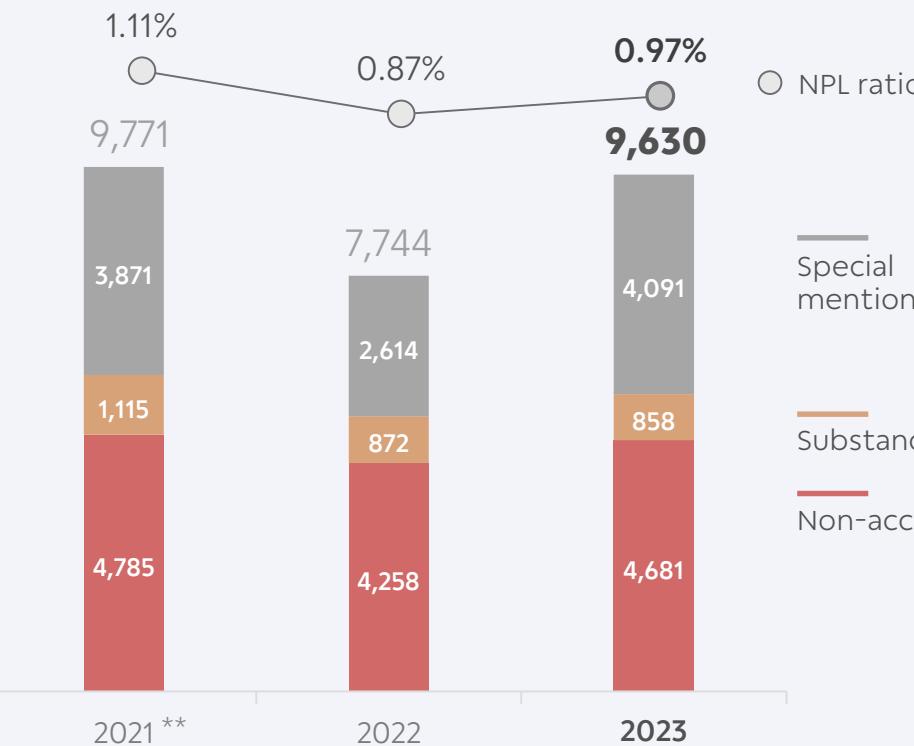


The provision in 2023 was mainly influenced by an increase in the collective allowance for credit losses, due to adjustments in respect of macroeconomic effects, in view of the increase in the probability of economic deceleration as a result of the effects of the war, as estimated at this stage, and a high interest-rate environment over a long period. In addition, automatic charge-offs increased.

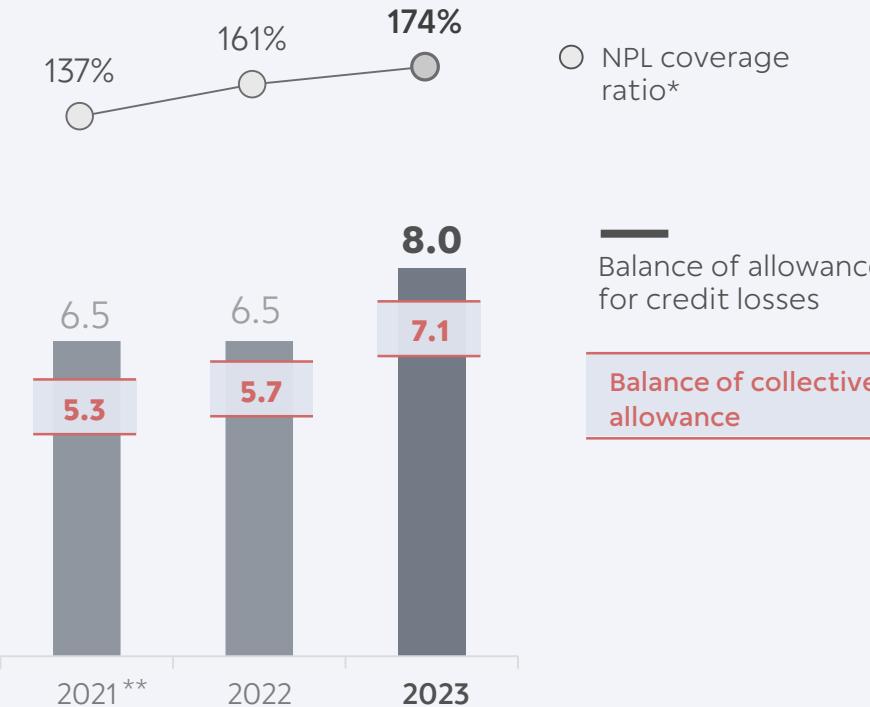
Individual provision remains relatively low.

Resilient asset quality as NPL are relatively low and well covered by a substantial allowance buffer

Total problematic debt & NPL ratio, NIS million



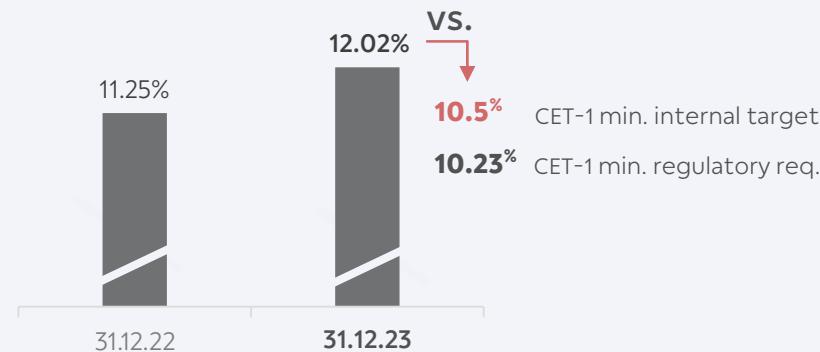
Allowance balance & NPL coverage ratio, NIS billion



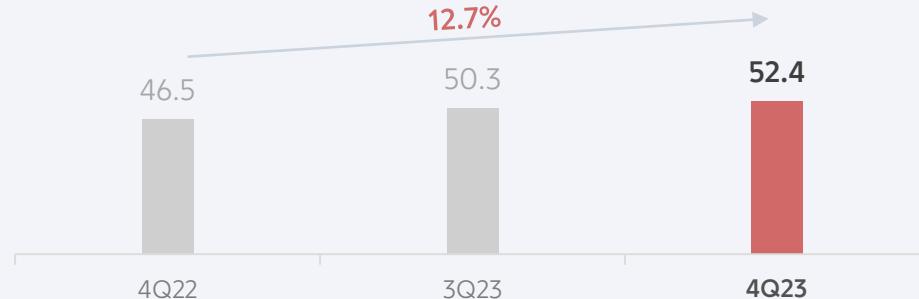
* Balance sheet allowance for credit losses to NPL. ** Proforma data. The proforma allowance for credit losses includes the effect of the initial implementation of CECL.

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

CET-1 capital ratio

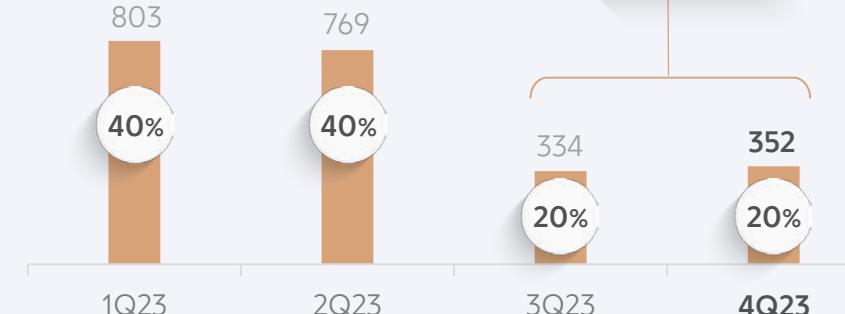


Strong growth in shareholders' equity, NIS billion



Dividend distribution, NIS million

in respect of the last four quarters' profits



High dividend yield*

in respect of the last four quarters' profits

2.3 NIS billion

Dividend declared

5.3%
Dividend yield

Total capital ratio

vs. min. regulatory req. of 13.5%

15.07%

Leverage ratio

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

6.92%

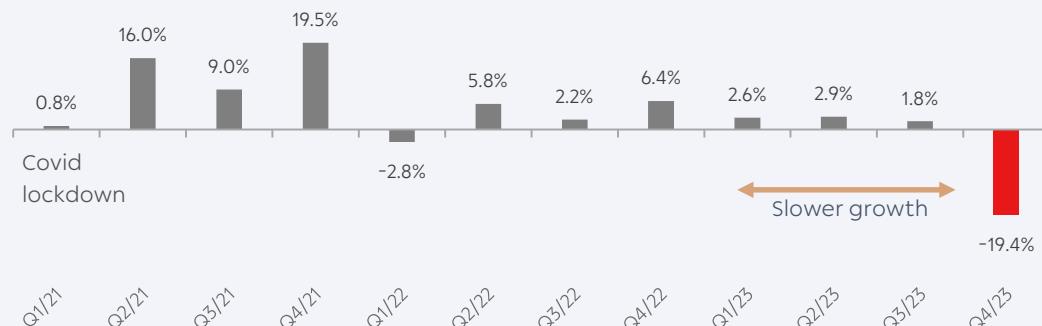
* Calculated as the dividend per share declared in respect of the last four quarters' profits, including 4Q23, divided by share price on the record date of each distribution or declaration.

** Relief valid until December 31, 2025. The minimum regulatory requirement pre-relief is 6%. Note: For additional information regarding capital requirements, refer to note 24 in the annual report.

The economy is bouncing back after a sharp fall in Q4

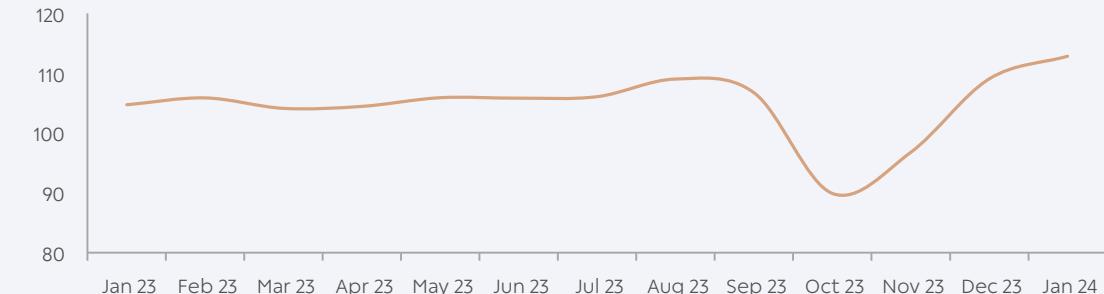
The economy was partially shut down in Q4

GDP growth, QoQ, annual rate



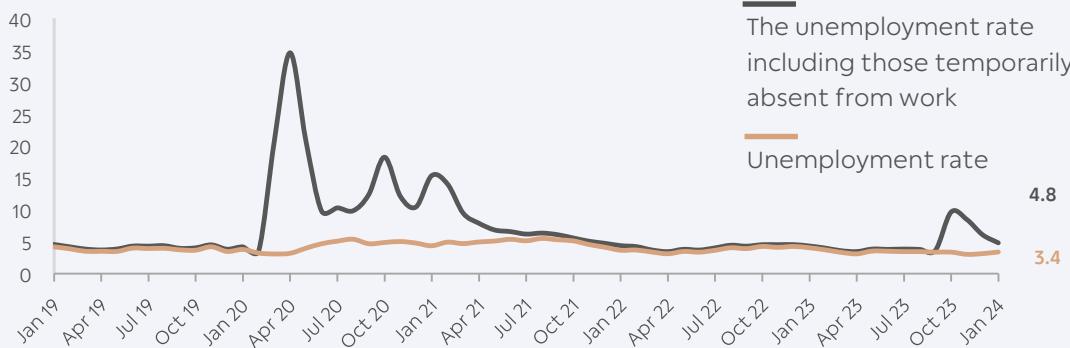
Credit card sales on a recovery track after the initial shock;

Credit card purchases, index; source: CBS



Labor market is gradually recovering

Source: CBS



The shekel is back to pre-war levels

USD/ILS, source: Terminal



While risk premium has increased, overall impact on the markets was benign

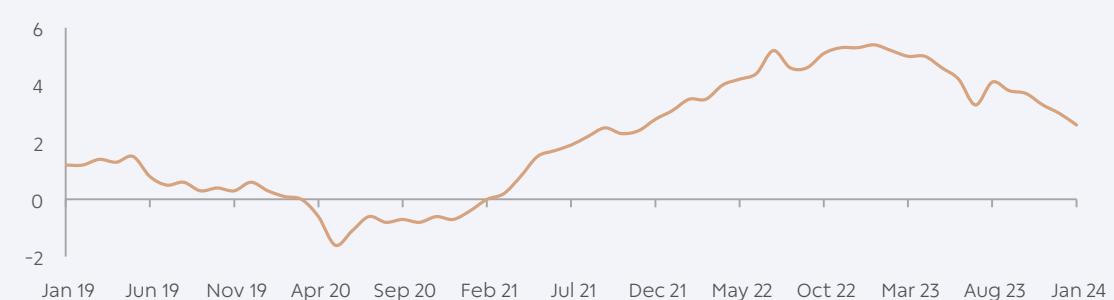
Risk premium has stabilized at a relatively high level

5Y CDS, source: Bloomberg



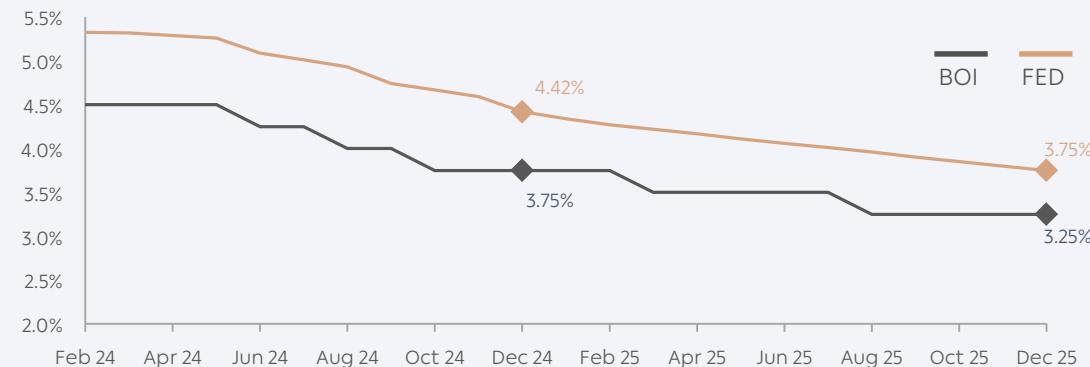
The war appears to be deflationary in the short term

CPI, year-on-year rate of change, source: CBS



Market implies rate cuts to follow the Fed

Implied interest rates (as of March 1, 2024), source: Bloomberg



The local bond market remains resilient

10-year government bond yield, local currencies, Source: Bloomberg



2023 and 4Q23 key takeaways

1

Following the initial shock from the war, economic activity is **recovering**; but still there are **several economic challenges ahead**

2

Bank Hapoalim has the best-in-the-sector preparedness, based on a good combination of responsible growth, solid capital, liquidity and credit loss buffers, and high underwriting standards

3

Continuous robust profitability.
ROE of 15% in 2023;
14% in the 4th quarter

4

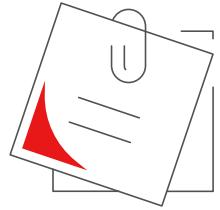
Total income jumped 19.3%, while costs grew only 3.2%, **creating substantial positive jaws**; **cost-income ratio** of 38.5%

5

Continuing to increase collective allowance, mainly due to expected consequences of the war; total allowance constitutes 1.92% of credit

6

Strong organic capital generation;
Despite high capital buffer, 2H23 payout ratio lower than policy due to BOI guideline in view of the war



◆ **bank hapoalim**

2023 Annual Financial Review

Appendix

Key balance sheet items NIS million

Year ended	2022	2023
Cash on hand and deposits with banks	133,424	107,730
Securities	107,400	127,122
Net credit to the public	388,727	407,381
Deposits from the public	532,588	554,595
Deposits from banks	8,696	9,085
Bonds and subordinated notes	26,866	21,800
Shareholders' equity	46,502	52,430
Total balance sheet	665,353	686,530

Note: For a full balance sheet analysis, please refer to the Bank's financial statements for FY23.

Key profit and loss items NIS million

Year ended	2022	2023
Total net financing profit	14,048	17,352
Fees and other income	3,872	4,030
Total income	17,920	21,382
Wages	(4,387)	(4,492)
Maintenance and depreciation of buildings and equipment	(1,441)	(1,529)
Other expenses	(2,144)	(2,210)
Total operating and other expenses	(7,972)	(8,231)
Provision for credit losses	34	(1,879)
Profit before taxes	9,982	11,272
Provision for taxes on profit	(3,548)	(3,930)
Net profit	6,532	7,360
ROE	14.8%	15.0%

Note: For a full profit and loss analysis, please refer to the Bank's financial statements for FY23.

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Israel's leading
financial institution