

Bank Hapoalim Announces Fourth Quarter 2023 and Annual Results

- ◆ **Net profit** in 2023 totaled NIS 7,360 million; **return on equity** 15.0%.
- ◆ **Net profit** in 4Q23 totaled NIS 1,761 million; **return on equity** 14.0%.
- ◆ **Total income** increased by 19.3% vs. 2022, while **total expenses** grew by only 3.2%, creating **substantial positive jaws**. The **cost-income ratio** dropped to 38.5% for the full year, 37.9% in the fourth quarter.
- ◆ The **credit portfolio** grew by 0.7% QoQ, 4.8% YoY. **Total deposits** grew by 4.1% in 2023.
- ◆ The bank is well prepared to cope with the potential effects of the war:
 - ◆ Capital: **CET-1 ratio** at 12.02% (vs. 10.23% minimum regulatory requirement);
 - ◆ Liquidity: **LCR** at 129% (vs. 100% minimum regulatory requirement);
 - ◆ **Allowance for credit losses** of NIS 8 billion, constituting 1.92% of total credit. **NPL coverage ratio** of 174%;
 - ◆ **Credit growth**: pace was already aligned to global and local macroeconomic uncertainties.
- ◆ The board of directors has decided to declare a **dividend** of NIS 352 million, 20% of quarterly net profit, in line with the BOI guideline in view of the war. In total, the bank distributed 2.3 billion shekel **dividend** in respect of 2023 net income.

Tel Aviv, Israel – March 7, 2024 – Bank Hapoalim (TASE: POLI) (ADR: BKHY) today announced its financial results for the fourth quarter and full year ended December 31, 2023.

Leadership comments

Ruben Krupik, Chairman of the Board of Directors:

"On October 7th, our national security and social resilience were put to the test. The economic routine that has emerged on the home front while the fighting is still in progress is a testament to the resilience that Israel's economy and society have built up over the years, which we must guard and protect. In spite of all the crises of 2023, the challenges in store during 2024, and the heightened risks surrounding the Israeli economy, we were able to continue to deliver essential credit to the economy and help our customers, through extensive reliefs and debt deferrals, as well as waivers of payments in certain cases.

I would like to thank the bank's management, headed by CEO Dov Kotler, and our devoted employees, who – while demonstrating remarkable accomplishment of our business goals under these conditions – wrote a new and meaningful chapter in this story through volunteering and providing aid to Israeli society during a difficult time."

Dov Kotler, President and CEO:

"The importance of a stable, robust banking system is always clear, but it is all the more evident during this challenging period. The events of October 7th found Bank Hapoalim highly prepared, in terms of its responsible growth, diversified credit portfolio, and strong financial robustness parameters. It is this readiness, reflected in every aspect of our activity, that enabled the bank to continue to lead, grow, and attain the significant achievements we are presenting today."

Key highlights

- ◆ **Net profit** in the fourth quarter of 2023 totaled NIS 1,761 million, compared with NIS 1,669 million in the preceding quarter and NIS 1,750 million in the same quarter last year. **Net profit** increased by 5.5% vs. the preceding quarter due to lower credit-loss provisions and lower expenses, which were partially offset by a decrease in income.

Net profit for 2023 totaled NIS 7,360 million, compared with NIS 6,532 million in 2022. The main driver of the increase is 19.3% growth in income, which was driven by rate hikes and the growth in activity, and despite a NIS 1.9 million credit loss provision booked in 2023.

- ◆ **Return on equity (ROE)** for the fourth quarter stood at 14.0%, compared with 13.4% in the preceding quarter and 15.3% in the same quarter last year. **ROE** for 2023 stood at 15.0% vs. 14.8% in 2022.
- ◆ **Total income** decreased by 5.6% compared to the third quarter and by 4.4% vs. the corresponding quarter last year, to NIS 5,000 million. The results in the quarter, compared with the preceding quarter, were mainly impacted by a decrease in financing income, as a result of a lower CPI and war-related benefits granted to customers, as well as a decline in fees (as detailed below).

Total income for 2023 totaled NIS 21,382 million, compared with NIS 17,920 million in 2022 an increase of 19.3%, resulting from an increase in financing income which was substantially impacted by the increase in interest rates and the growth in activity.

- ◆ **The Common Equity Tier 1 (CET-1) capital ratio** as at December 31, 2023, stood at 12.02%, an increase of 77 bps since the beginning of 2023, vs. a 10.5% internal minimum target and 10.23% minimum regulatory requirement. The **total capital ratio** as at December 31, 2023, stood at 15.07%, vs. a 13.5% minimum regulatory requirement.
- ◆ **LCR** and **NSFR** are at 129% and 128% respectively, vs. the minimum regulatory requirement of 100%.
- ◆ **Credit quality indicators** remained strong; the **NPL ratio** stood at 0.97% and the **NPL coverage ratio** (balance sheet allowance for credit losses/NPL) increased to a high level of 174%.

Balance sheet

- ◆ **Net credit to the public** in the fourth quarter of 2023 totaled NIS 407.4 billion, compared with NIS 404.4 billion in the preceding quarter, an increase of 0.7%, and an increase of 4.8% compared to the end of 2022.

The growth in the **credit portfolio** in 2023 was responsible and adjusted to the changing environment. The pace of growth also reflects the impact of macro dynamics on the demand for credit in each segment. **Corporate credit** increased by 14.5% and **commercial credit** increased by 2.3% in 2023. The **housing loan portfolio** grew by 2.6%, while **small business credit** and **consumer credit** decreased by 6.5% and 3.1%, respectively, compared to 2022.

- ◆ **Total deposits** reached NIS 554.6 billion, an increase of 4.1% in the last year. **Retail deposits** grew by 4.1% to NIS 321.2 billion as of the end of 2023, constituting 58% of total deposits.
- ◆ **The allowance for credit losses** continued to grow, to NIS 8.0 billion as at December 31, 2023, of which NIS 7.1 billion attributed to collective provision. The total allowance constitutes 1.92% of total credit. The increase in the collective allowance for credit losses was 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.
- ◆ **Shareholders' equity** grew by 12.7% vs. 2022, to NIS 52.4 billion.
- ◆ On November 12, 2023, the Banking Supervision Department issued a guideline concerning capital planning and the requirement to reexamine dividend distribution policies in view of the war and the increase in uncertainty. This guideline also applies in respect of the fourth quarter of 2023. Taking into consideration this guideline, the board of directors of the bank declared the **distribution of dividends** in the amount of NIS 352 million, constituting approximately 20% of the fourth quarters' net profit, to be paid on April 8, 2024. **The board of directors of the Bank, in its decision, noted the ability of the bank to potentially declare a higher dividend, in light of the bank's significant capital surpluses and robust financial position.**

Income statement

◆ **Income from regular financing activity** in the fourth quarter totaled NIS 4,106 million, a decrease of 3.9% vs. the preceding quarter and a decrease of 1.9% compared to the corresponding quarter last year. The main impact vs. the preceding quarter was a lower CPI contribution (NIS 27 million vs. NIS 239 million in the third quarter). The **financial margin from regular activity** decreased from 2.65% in the third quarter to 2.48% in the fourth quarter, due to the lower CPI and a substantial increase in deposits. **Income from regular financing activity** for the full year of 2023 amounted to NIS 17,287 million, an increase of 18.8%, driven by rate hikes and the growth in activity. Accordingly, the **financial margin from regular activity** increased from 2.35% in 2022 to 2.67% in 2023.

◆ **Income from non-regular financing activity**, amounted to a negative NIS 49 million in the fourth quarter, mainly affected by NIS 129 million in financing costs in respect of benefits granted to our customers in relation to the war.

◆ **Fee income** totaled NIS 925 million in the fourth quarter, compared with NIS 1,038 million in the previous quarter and NIS 929 million in the same quarter last year. In comparison to the previous quarter, third quarter's fees include refunds of premiums paid in the past for portfolio insurance. In addition, fees in the fourth quarter include NIS 30 million of war-related customer benefits, as well as a negative impact from the decline in economic activity during the war.

Fee income for the full year totaled NIS 3,892 million in 2023, compared with NIS 3,705 million in 2022, a 5.0% increase, which was due to growth in fees from financing transactions and credit processing fees, as well as an increase in credit-card fees, mainly influenced by an update of the operational agreement with Isracard. This increase was offset by a decrease in fees from securities activity, mainly due to a decrease in turnovers and customers' transition to money-market funds.

◆ **Operating and other expenses** totaled NIS 1,897 million in the fourth quarter, compared with NIS 2,059 million in the previous quarter and NIS 2,046 million in the same quarter last year, a decrease of 7.9% and 7.3%, respectively. The decrease in expenses mainly resulted from a decline in **salary and related expenses**, due to an adjustment of the performance-based bonus.

Operating and other expenses for the full year, totaled NIS 8,231 million, an increase of 3.2%, which mainly resulted from a NIS 200 million provision in respect of the collective wage agreement signed in July 2023. **Maintenance and depreciation expenses** were also higher by 6.1%, mainly due to an increase in software depreciation and impairment expenses.

◆ The **cost-income ratio** for the fourth quarter of 2023 dropped to 37.9%, compared with 38.9% in the previous quarter and 39.1% in the corresponding quarter. The full-year **cost-income ratio** was 38.5%, vs. 44.5% in 2022.

◆ In the fourth quarter, **provision for credit losses** amounted to NIS 453 million (0.44% credit-loss ratio), mainly resulting from an increase in the collective provision, to reflect the rise in the probability of an economic slowdown due to the consequences of the war and an increase in automatic charge-offs. The individual provision, however, remained low.

Provision for credit losses in 2023 amounted to NIS 1,879 million, constituting 0.46% of total credit, reflecting the potential effects of the war, as well as a high interest-rate environment over a long period and an increase in automatic charge-offs.

Recent developments

◆ Targeted benefits for customers:

With the outbreak of the war, the bank announced a series of significant benefits aimed at providing relief to its customers during this time. The benefits differentiate customers directly affected by the war from the rest of the population. These include benefits in line with the outline issued by the Banking Supervision Department, as well as additional benefits beyond the outline, including an exemption from mortgage payments, deferral of payments on loans and mortgages, an exemption from major fees, and more. The effect of benefits granted by the bank is NIS 159 million, which are booked in the fourth quarter figures. Benefits in an additional amount of NIS 59 million were utilized after the balance sheet date.

◆ Poalim Rebuild – donation of NIS 100 million by the bank:

The bank has announced a donation of NIS 100 million, through the foundation of the Poalim Rebuild Fund, to restore communities directly affected by the war over the coming years. The fund will work to rebuild community infrastructures damaged by the war, focusing on restoration in the areas of health care, education, and employment.

◆ Immediate aid and donations:

The bank provided an emergency donation of NIS 10 million for immediate needs, designated for medical, physical, and mental aid. The donation was given to rescue organizations, hospitals, and key social organizations, the Hostages and Missing Families Forum, and aid for displaced families. The bank also offered an option to raise funds for similar purposes through the Bit app, where a total of approximately NIS 14 million has been collected.

◆ ESG Report:

The extensive and substantial economic, social, and environmental impact of Bank Hapoalim heightens its responsibility towards Israeli society. This responsibility requires us to ensure that beyond direct economic value, the bank's activities generate added value for the general public, while promoting social and environmental values. Accordingly, this year the bank's ESG report for 2023 was released with its financial statements.

Key ESG metrics for 2023:

- ◆ **~NIS 28.2 billion** – Balances of credit (balance sheet and off-balance sheet) as at December 31, 2023 (NIS 19.5 billion as at December 31, 2022), granted to projects supporting a green environment in the areas of renewable energies, green building, clean transportation, energy efficiency, and waste and water treatment.
- ◆ **~NIS 539 million** – Total investment facility (including investment commitments) for renewable energy projects as at December 31, 2023 (NIS 513 million as at December 31, 2022), through Poalim Equity.
- ◆ **17.5%** – Rate of reduction of the carbon footprint of the operational activities of the bank in comparison to 2020; 4.6% reduction in 2023 compared with 2022.
- ◆ **NIS 100 million to found the Poalim Rebuild Fund** – A donation fund dedicated to strengthening and developing personal, community, and financial resilience for people, communities, and businesses in the Western Negev region. The fund has already started to operate.
- ◆ **~NIS 45.8 million** – Community investments of the bank in 2023, of which NIS 10 million channeled to immediate community aid at the outbreak of the war (NIS 37.7 million in 2022).
- ◆ **13.6% of the employees** of the bank belong to population groups underrepresented in the job market (12.3% in 2022).
- ◆ **56.8% of the management tier of the bank** consists of women (56% in 2022), as well as 39% of senior management (38% in 2022) and 40% of the board of directors (similar to 2022).
- ◆ **47.7 – Score on the NPS index**, which measures customers' willingness to recommend the bank (in surveys adjacent to service), reflecting a 28% improvement in 2023 (compared with a score of 37.27 in 2022).

Conference-call information

Bank Hapoalim will host a conference call today to discuss the results. The call will take place at 5:00 p.m. Israel time / 3:00 p.m. UK time / 10:00 a.m. US Eastern time. To access the conference call, please dial: +1-888-281-1167 toll-free from the United States, +0-800-917-5108 toll-free from the United Kingdom, or +972-3-918-0609 internationally. No password is required. Access in listen-only mode is also available via the link [BankHapoalim2023](#). The conference call will be accompanied by a slide presentation, which, together with the financial statements, will be available on the Bank Hapoalim website at www.bankhapoalim.com, under Investor Relations > Financial Information. A recording of the conference call will be available on the bank's website at the above address one business day following the completion of the call.

Please note: The conference call is not a substitute for perusal of the immediate reports and the financial statements of the bank, including all of the forward-looking information included therein, in accordance with Section 32A of the Israeli Securities Law, 1968.

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About Bank Hapoalim

Bank Hapoalim is Israel's leading financial group. In Israel, Bank Hapoalim operates 160 retail branches, regional business centers, and specialized industry relationship managers for major corporate customers. The Bank Hapoalim Group includes holdings in financial companies engaged in investment banking, trust services, and portfolio management. Internationally, commercial banking services are provided in North America by the New York branch. Bank Hapoalim is listed on the Tel Aviv Stock Exchange (TASE: POLI) and holds a Level-1 ADR program. For more information about Bank Hapoalim, please visit us online at www.bankhapoalim.com.

Please note: This press release was prepared for convenience only. In case of any discrepancy, the bank's reported financial statements in Hebrew will prevail.

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Table 1-1: Condensed financial information and principal performance indicators over time

| NIS millions | 2023 | | | | 2022 | | | |
|----------------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Main profit and loss data – quarterly development | | | | | | | | |
| Net interest income | 3,747 | 4,006 | 4,295 | 4,037 | 3,928 | 3,636 | 3,187 | 2,716 |
| Non-interest financing income (expenses) | 310 | 203 | 414 | 340 | 337 | 115 | (19) | 148 |
| Net financing profit | 4,057 | 4,209 | 4,709 | 4,377 | 4,265 | 3,751 | 3,168 | 2,864 |
| Provision (income) for credit losses | 453 | 662 | 579 | 185 | 430 | 45 | 91 | (600) |
| Fees and other income | 943 | 1,089 | 1,016 | 982 | 966 | 1,002 | 920 | 984 |
| Operating and other expenses | 1,897 | 2,059 | 2,181 | 2,094 | 2,046 | 1,972 | 1,996 | 1,958 |
| Profit before taxes | 2,650 | 2,577 | 2,965 | 3,080 | 2,755 | 2,736 | 2,001 | 2,490 |
| Net profit attributed to shareholders of the Bank | 1,761 | 1,669 | 1,922 | 2,008 | 1,750 | 1,785 | 1,343 | 1,654 |
| Return of net profit (in percent) | 14.0% | 13.4% | 15.8% | 17.0% | 15.3% | 15.9% | 12.3% | 15.6% |
| Financing margin from regular activity ⁽¹⁾ | 2.48% | 2.65% | 2.80% | 2.77% | 2.64% | 2.58% | 2.24% | 1.91% |

(1) Financing profit from regular activity (see the section “Material developments in income, expenses, and other comprehensive income,” in the Report of the Board of Directors and Board of Management) divided by total financial assets after allowance for credit losses, net of non-interest bearing balances of debtors in respect of credit-card activity.

| NIS millions | For the year ended | | | | |
|--------------------------------------------------------------------------------------------------------------------------|--------------------|--------|---------|--------|--------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Main profit and loss data | | | | | |
| Net profit attributed to shareholders of the Bank | 7,360 | 6,532 | 4,914 | 2,056 | 1,799 |
| Net profit attributed to shareholders of the Bank excluding extraordinary items ⁽¹⁾ | 7,360 | 6,532 | 4,957 | 2,205 | 2,778 |
| Net profit from continued operations attributed to shareholders of the Bank | 7,360 | 6,532 | 4,914 | 2,165 | 1,503 |
| Net profit from continued operations attributed to shareholders of the Bank excluding extraordinary items ⁽²⁾ | 7,360 | 6,532 | 4,957 | 2,205 | 2,619 |
| Net interest income | 16,085 | 13,467 | 9,767 | 8,797 | 9,319 |
| Net financing profit ⁽³⁾ | 17,352 | 14,048 | 10,848 | 9,885 | 9,878 |
| Non-interest income | 5,297 | 4,453 | 4,625 | 4,379 | 3,889 |
| Of which: fees | 3,892 | 3,705 | 3,355 | 3,155 | 3,240 |
| Total income | 21,382 | 17,920 | 14,392 | 13,176 | 13,208 |
| Provision (income) for credit losses | 1,879 | (34) | (1,220) | 1,943 | 1,276 |
| Operating and other expenses | 8,231 | 7,972 | 7,803 | 7,501 | 8,776 |
| Operating and other expenses excluding extraordinary items ⁽⁴⁾ | 8,231 | 7,972 | 7,753 | 7,487 | 7,704 |
| Of which: salaries and related expenses | 4,492 | 4,387 | 4,333 | 3,836 | 4,108 |
| Additional data | | | | | |
| Net profit per share attributed to shareholders of the Bank – basic (in NIS) | 5.50 | 4.89 | 3.68 | 1.62 | 1.13 |

(1) Does not include expenses in respect of provisions in connection with the investigation of the Bank Group’s business with American customers and FIFA, the effect of the closure of the private-banking activity overseas, profit or loss from the separation from Isracard, and loss from impairment in respect of the Bank’s investment in Bank Pozitif.

(2) Does not include expenses in respect of provisions in connection with the investigation of the Bank Group’s business with American customers and FIFA, the effect of the closure of the private-banking activity overseas, and loss from impairment in respect of the Bank’s investment in Bank Pozitif.

(3) Net financing profit includes net interest income and non-interest financing income (expenses).

(4) Does not include expenses in respect of provisions in connection with the investigation of the Bank Group’s business with American customers and FIFA, and effects of the closure of the private-banking activity overseas.

Table 1-1: Condensed financial information and principal performance indicators over time (continued)

| | For the year ended | | | | |
|--------------------------------------------------------------------------------------------------------------|--------------------|---------|---------|-------|-------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Main credit quality indicators | | | | | |
| Total allowance for credit losses* as a percentage of credit to the public** | 1.92% | 1.64% | **1.65% | 2.25% | 1.76% |
| Allowance for credit losses in respect of credit to the public as a percentage of credit to the public** | 1.69% | 1.40% | **1.43% | 2.00% | 1.58% |
| Credit to the public, non-accruing or past due by 90 days or more, as a percentage of credit to the public** | 1.06% | 0.89% | **1.20% | 1.52% | 1.80% |
| Net charge-offs as a percentage of average credit to the public | 0.09% | (0.03%) | (0.06%) | 0.09% | 0.12% |
| Provision (income) for credit losses as a percentage of average credit to the public*** | 0.46% | (0.01%) | (0.37%) | 0.64% | 0.44% |

* Including the allowance in respect of off-balance sheet balances.

** The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) as of January 1, 2022, prospectively. For this purpose:

1. The overall allowance for credit losses, as a percentage of credit to the public, as at January 1, 2022, after implementation of the CECL directive, is 1.80%.
2. The allowance for credit losses in respect of credit to the public, as a percentage of credit to the public, as at January 1, 2022, after implementation of the CECL directive, is 1.51%.
3. The term "impaired credit" has been eliminated, and non-accruing credit is presented instead. Comparative figures for previous periods have not been restated. If comparative figures had been restated, for convenience (i.e. accruing debts previously classified as impaired debts were not included in non-accruing debts under the new directives), credit to the public that is non-accruing or past due by 90 days or more as a percentage of credit to the public as at December 31, 2021, would be 1.13%.

*** Including provisions in respect of banks and governments.

Table 1-1: Condensed financial information and principal performance indicators over time (continued)

| NIS millions | December 31 | | | | |
|----------------------------------------------------------|-------------|---------|---------|---------|---------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Main balance sheet data | | | | | |
| Total assets | 686,530 | 665,353 | 638,781 | 539,602 | 463,688 |
| Of which: Cash and deposits with banks | 107,730 | 133,424 | 189,283 | 138,711 | 88,122 |
| Securities | 127,122 | 107,400 | 71,105 | 71,885 | 59,486 |
| Net credit to the public | 407,381 | 388,727 | 352,623 | 301,828 | 292,940 |
| Net problematic credit risk* | 7,814 | 6,487 | 7,926 | 9,754 | 8,787 |
| Credit to the public not accruing interest income (NPL)* | 4,012 | 3,444 | 2,897 | 3,208 | 3,867 |
| Total liabilities | 634,100 | 618,850 | 596,034 | 499,703 | 425,467 |
| Of which: Deposits from the public | 554,595 | 532,588 | 525,072 | 435,217 | 361,645 |
| Deposits from banks | 9,085 | 8,696 | 11,601 | 6,591 | 3,520 |
| Bonds and subordinated notes | 21,800 | 26,866 | 25,582 | 23,490 | 26,853 |
| Shareholders' equity | 52,430 | 46,502 | 42,735 | 39,873 | 38,181 |
| Additional data | | | | | |
| Share price at end of year (in NIS) | 32.9 | 31.7 | 32.1 | 22.0 | 28.7 |

| | For the year ended December 31 | | | | |
|--------------------------------------|--------------------------------|-------|-------|---------------------|-------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Total dividend per share (in NIS)** | 1.69 | 1.10 | 1.11 | ⁽¹⁾ 0.54 | 0.75 |
| Average number of employee positions | 8,602 | 8,562 | 8,694 | 9,027 | 9,392 |

* The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) as of January 1, 2022, prospectively. Within this process, the term "impaired credit" has been eliminated, and non-accruing credit is presented instead. In addition, housing loans past due by 90 days or more are classified as non-accruing credit. If the balance of credit to the public not accruing interest income (NPL) as at December 31, 2021, were restated, the balance would be NIS 3,955 million. If net problematic credit risk were restated, the balance as at December 31, 2021, would be NIS 7,796 million.

** Dividends in respect of the relevant year.

(1) Paid as a dividend in kind, in shares; calculated based on the value of Isracard shares on March 8, 2020 (NIS 10.91).

Table 2-3: Composition of net financing profit

| NIS millions | For the year ended | | Change |
|---------------------------------------------------------------------------|--------------------|-------------------|--------------|
| | December 31, 2023 | December 31, 2022 | |
| Interest income | 32,971 | 19,220 | 71.5% |
| Interest expenses | (16,886) | (5,753) | 193.5% |
| Net interest income | 16,085 | 13,467 | 19.4% |
| Non-interest financing income (expenses) | 1,267 | 581 | 118.1% |
| Total reported financing profit | 17,352 | 14,048 | 23.5% |
| Excluding effects not from regular activity: | | | |
| Income (expenses) from realization and adjustments to fair value of bonds | (569) | (137) | 315.3% |
| Profit (loss) from investments in shares | 369 | (123) | (400.0%) |
| Adjustments to fair value of derivative instruments ⁽¹⁾ | 372 | (178) | (309.0%) |
| Others ⁽²⁾ | (107) | (62) | 72.6% |
| Total effects not from regular activity | 65 | (500) | (113.0%) |
| Total income from regular financing activity*⁽³⁾ | 17,287 | 14,548 | 18.8% |
| * Of which: in respect of changes in the CPI | 914 | 1,349 | (32.2%) |

| NIS millions | 2023 | | | | 2022 | | | |
|---------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Interest income | 8,325 | 8,502 | 8,622 | 7,522 | 6,374 | 5,139 | 4,304 | 3,403 |
| Interest expenses | (4,578) | (4,496) | (4,327) | (3,485) | (2,446) | (1,503) | (1,117) | (687) |
| Net interest income | 3,747 | 4,006 | 4,295 | 4,037 | 3,928 | 3,636 | 3,187 | 2,716 |
| Non-interest financing income (expenses) | 310 | 203 | 414 | 340 | 337 | 115 | (19) | 148 |
| Total reported financing profit | 4,057 | 4,209 | 4,709 | 4,377 | 4,265 | 3,751 | 3,168 | 2,864 |
| Excluding effects not from regular activity: | | | | | | | | |
| Income (expenses) from realization and adjustments to fair value of bonds | (152) | (197) | (143) | (77) | (173) | 4 | (14) | 46 |
| Profit (loss) from investments in shares | 76 | 49 | 131 | 113 | 96 | (59) | (190) | 30 |
| Adjustments to fair value of derivative instruments ⁽¹⁾ | 164 | 88 | 187 | (67) | 171 | (199) | (77) | (73) |
| Others ⁽²⁾ | (137) | (2) | 23 | 9 | (13) | (17) | 17 | (49) |
| Total effects not from regular activity | (49) | (62) | 198 | (22) | 81 | (271) | (264) | (46) |
| Total income from regular financing activity*⁽³⁾ | 4,106 | 4,271 | 4,511 | 4,399 | 4,184 | 4,022 | 3,432 | 2,910 |
| * Of which: in respect of changes in the CPI | 27 | 239 | 382 | 266 | 202 | 330 | 516 | 301 |

(1) The effect of the measurement of profit and loss in derivative instruments constituting part of the Bank's asset and liability management strategy on a fair-value basis, versus measurement on an accrual basis.

(2) Including financing costs in respect of benefits granted by the Bank to its customers due to the Swords of Iron War in the amount of approximately NIS 129 million, and the effect of hedging of currency exposures of non-monetary items.

(3) Financing profit excluding extraordinary effects, and excluding effects arising mainly from the timing of recording in accounting.

Table 2-5: Cumulative provision for credit losses in respect of debts and in respect of off-balance sheet credit instruments

| NIS millions | For the year ended | |
|------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|
| | December 31, 2023 | December 31, 2022 |
| Individual provision for credit losses | 462 | 474 |
| Decrease in individual allowance for credit losses and recovery of charged off debts | (309) | (1,087) |
| Net individual provision (income) for credit losses | 153 | (613) |
| Provision (income) in respect of the collective allowance for credit losses and net automatic charge-offs* | 1,726 | 579 |
| Total provision (income) for credit losses** | 1,879 | (34) |
| ** Of which: | | |
| Net provision (income) for credit losses in respect of commercial credit risk | 1,389 | (181) |
| Net provision (income) for credit losses in respect of housing credit risk | 117 | 71 |
| Net provision (income) for credit losses in respect of other private credit risk | 379 | 40 |
| Net provision (income) for credit losses in respect of risk of credit to banks and governments and bonds | (6) | 36 |
| Total provision (income) for credit losses | 1,879 | (34) |
| Provision (income) as a percentage of total credit to the public:*** | | |
| Provision (income) for credit losses as a percentage of the average balance of credit to the public ⁽¹⁾ | 0.46% | (0.01%) |
| Gross individual provision for credit losses as a percentage of the average balance of credit to the public | 0.11% | 0.12% |
| Gross provision for credit losses as a percentage of the average balance of credit to the public ⁽²⁾ | 0.54% | 0.28% |
| Net charge-offs in respect of credit to the public as a percentage of the average balance of credit to the public | 0.09% | (0.03%) |
| Net charge-offs in respect of credit to the public as a percentage of the allowance for credit losses in respect of credit to the public | 5.45% | (1.72%) |

* Charge-offs in respect of debts past due by 150 days or more not examined individually.

*** The rates below are calculated on an annualized basis and refer to provisions in respect of credit to the public only, without credit losses in respect of banks and governments.

(1) Including provisions in respect of banks and governments.

(2) The gross provision for credit losses is the total provision for credit losses, excluding the decrease in the individual allowance for credit losses and recovery of charged off debts.

Table 2-5: Cumulative provision for credit losses in respect of debts and in respect of off-balance sheet credit instruments (continued)

| | 2023 | | | | 2022 | | | |
|------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|------------|------------|------------|-----------|-----------|--------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| | NIS millions | | | | | | | |
| Individual provision for credit losses | 82 | 120 | 209 | 51 | 159 | 45 | 121 | 149 |
| Decrease in individual allowance for credit losses and recovery of charged off debts | (28) | (127) | (96) | (58) | (63) | (196) | (129) | (699) |
| Net individual provision (income) for credit losses | 54 | (7) | 113 | (7) | 96 | (151) | (8) | (550) |
| Net provision (income) in respect of the collective allowance for credit losses and net automatic charge-offs* | 399 | 669 | 466 | 192 | 334 | 196 | 99 | (50) |
| Total provision (income) for credit losses** | 453 | 662 | 579 | 185 | 430 | 45 | 91 | (600) |
| ** Of which: | | | | | | | | |
| Net provision (income) for credit losses in respect of commercial credit risk | 319 | 562 | 372 | 136 | 351 | (22) | 76 | (586) |
| Net provision (income) for credit losses in respect of housing credit risk | 39 | 4 | 62 | 12 | 37 | (4) | 6 | 32 |
| Net provision (income) for credit losses in respect of other private credit risk | 97 | 110 | 133 | 39 | 33 | 69 | (16) | (46) |
| Net provision (income) for credit losses in respect of risk of credit to banks and governments and bonds | (2) | (14) | 12 | (2) | 9 | 2 | 25 | - |
| Total provision (income) for credit losses | 453 | 662 | 579 | 185 | 430 | 45 | 91 | (600) |
| Provision (income) as a percentage of total credit to the public:*** | | | | | | | | |
| Provision (income) for credit losses as a percentage of the average balance of credit to the public ⁽¹⁾ | 0.44% | 0.65% | 0.57% | 0.19% | 0.44% | 0.05% | 0.10% | (0.66%) |
| Gross individual provision for credit losses as a percentage of the average balance of credit to the public | 0.08% | 0.12% | 0.21% | 0.05% | 0.16% | 0.05% | 0.13% | 0.16% |
| Gross provision for credit losses as a percentage of the average balance of credit to the public ⁽²⁾ | 0.47% | 0.77% | 0.67% | 0.24% | 0.50% | 0.25% | 0.24% | 0.11% |
| Net charge-offs in respect of credit to the public as a percentage of the average balance of credit to the public | 0.14% | 0.10% | 0.12% | 0.01% | (0.02%) | (0.03%) | 0.00% | (0.06%) |
| Net charge-offs in respect of credit to the public as a percentage of the allowance for credit losses in respect of credit to the public | 8.46% | 6.04% | 7.89% | 0.86% | (1.30%) | (1.85%) | 0.16% | (4.37%) |

* Charge-offs in respect of debts past due by 150 days or more not examined individually.

*** The rates below are calculated on an annualized basis and refer to provisions in respect of credit to the public only, without credit losses in respect of banks and governments.

(1) Including provisions in respect of banks and governments.

(2) The gross provision for credit losses is the total provision for credit losses, excluding the decrease in the individual allowance for credit losses and recovery of charged off debts.

Table 2-11: Development of net balance sheet credit to the public by operating segment according to the management approach

| | Balance as at | | Change |
|------------------------|----------------------|----------------------|-------------|
| | December 31, 2023 | December 31, 2022 | |
| | NIS millions | | |
| Private customers* | 37,663 | **38,880 | (3.1%) |
| Small businesses* | 32,729 | 34,998 | (6.5%) |
| Housing loans | 131,057 | 127,688 | 2.6% |
| Commercial | 59,300 | 57,945 | 2.3% |
| Corporate | 123,994 | 108,316 | 14.5% |
| International activity | 18,072 | 17,210 | 5.0% |
| Financial management | 4,566 | **3,690 | 23.7% |
| Total | 407,381 | 388,727 | 4.8% |

* Includes the receivables balance in respect of credit cards.

** Reclassified.