

Bank Hapoalim Announces 2024 Second Quarter Results

- ◆ **Net profit** in 2Q24 totaled NIS 2,238 million; **return on equity** 16.4%.
- ◆ **Net profit** in 1H24 totaled NIS 4,176 million; **return on equity** 15.5%.
- ◆ The board of directors of the bank has announced a NIS 1 billion **share buyback** plan to be exercised in the next year.
- ◆ For the second quarter, the board declared distribution at an overall rate of 40% of net profit, of which a **cash dividend** of NIS 645 million and the rest through the exercise of the first stage of the **buyback** plan (NIS 250 million).
- ◆ **Cost-income ratio** of 36.7% in 2Q24, 38.3% in 1H24.
- ◆ **Total income** increased by 12.6% QoQ, mainly affected by the higher CPI, as well as by 5.3% growth in fees.
- ◆ The bank continues to maintain high capital and liquidity buffers; the **CET-1 capital ratio** stood at 11.96% (vs. 10.23% minimum regulatory requirement and 10.5% minimum internal target) and **LCR** at 134% (vs. 100% minimum regulatory requirement).
- ◆ **Credit growth** was diversified and responsible, at 1.2% in the quarter and 4.0% in the last year. This growth was achieved while maintaining the high quality of the book and the high allowance reserve. The **NPL ratio** decreased to 0.82% and the **credit-loss ratio** was -0.05% (due to individual recoveries). The **allowance for credit losses** was NIS 7.8 billion, constituting 1.84% of total credit.
- ◆ The board of directors has approved the recommendation of the search committee to appoint **Yadin Antebi as CEO** of the bank. Antebi replaces **Dov Kotler**, who announced his departure after five years as CEO. The appointment has been approved by the Banking Supervision Department, and **will take effect on August 15, 2024**.

Tel Aviv, Israel – August 14, 2024 – Bank Hapoalim (TASE: POLI) today announced its financial results for the second quarter ended June 30, 2024.

Key highlights

- ◆ **Net profit** in the second quarter of 2024 totaled NIS 2,238 million, compared with NIS 1,938 million in the preceding quarter and NIS 1,922 million in the same quarter last year. **Net profit** increased by 15.5% vs. the preceding quarter, mainly due to an increase in **total income**. In comparison to the corresponding quarter, **net profit** was 16.4% higher, mainly due to income from credit losses recorded in the current quarter vs. a relatively high provision for credit losses in the same quarter last year, as well as a 3.4% decline in the **total expenses**.
- ◆ **Return on equity (ROE)** for the second quarter stood at 16.4%, compared with 14.6% in the preceding quarter and 15.8% in the same quarter last year. **ROE** for the first half of 2024 was 15.5%.

ROE in the first and second quarter was impacted by a higher tax, due to the Temporary Order – Swords of Iron (Taxation of Banks) legislation, which establishes a special payment in respect of Israeli banks' profits in 2024 and 2025. In addition, **ROE** in the second quarter was influenced by the relatively high level of capital.
- ◆ **Total income** increased by 12.6% compared to the previous quarter, as a result of an increase in financing income, which resulted from a higher CPI, higher income from non-regular financing activity, and higher fees. Compared to the corresponding quarter, **total income** stayed relatively flat, as the higher CPI contribution in the current quarter was mitigated by a lower share of non-interest-bearing deposits.
- ◆ **The Common Equity Tier 1 (CET-1) capital ratio** as at June 30, 2024, stood at 11.96%, an increase of 45 bps since June 30, 2023, vs. the 10.23% minimum regulatory requirement and 10.5% minimum internal

target. The impact of the S&P sovereign rating downgrade was 25 basis points, which was already accounted for in the current ratio. The **total capital ratio** as at June 30, 2024, stood at 14.90%, vs. a 13.5% minimum regulatory requirement.

- ◆ **LCR and NSFR** are at 134% and 127% respectively, vs. the minimum regulatory requirement of 100%.
- ◆ **Credit quality indicators** remained strong; the **NPL ratio** stood at 0.82% and the **NPL coverage ratio** (balance sheet allowance for credit losses/NPL) increased to a level of 197%.

Balance sheet

- ◆ **Net credit to the public** in the second quarter of 2024 totaled NIS 416.3 billion, compared with NIS 411.3 billion in the preceding quarter, an increase of 1.2%. Vs. the corresponding quarter, net credit to the public increased by 4.0%. The growth in the **credit portfolio** in recent quarters was responsible, diversified, 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 0.4% in comparison to the preceding quarter, and by 4.2% in comparison to the corresponding quarter; **commercial credit** increased by 0.2% QoQ and 3.2% YoY. In the retail banking division, the **housing loan portfolio** grew by 1.5% QoQ and 3.6% YoY, **small business credit** decreased by 0.1% and 1.3%, and **consumer credit** grew by 0.5% and 0.6%, respectively.
- ◆ **Total deposits** reached NIS 552.6 billion, an increase of 2.4% vs. the last quarter and 4.3% vs. the same quarter last year. **Retail deposits** grew by 1.8% compared to the first quarter of 2024 and by 5.7% in the last twelve months, to NIS 330.0 billion, constituting 60% of **total deposits**.
- ◆ **The allowance for credit losses** stood at NIS 7.8 billion as at June 30, 2024, of which NIS 7.1 billion attributed to the collective allowance. The total allowance constitutes 1.84% of total credit.
- ◆ **Shareholders' equity** grew by 2.7% in the second quarter and by 12.5% in the last year, to NIS 55.5 billion.
- ◆ **Share buyback and dividend distribution:** The board of directors of the bank has announced a buyback plan for shares of the bank in the amount of up to NIS 1 billion to be executed in the next year. For the second quarter, the board declared distribution at an overall rate of 40% of net profit, of which a cash dividend in the amount of approximately NIS 645 million and the rest through the exercise of the first stage of the plan (up to NIS 250 million). The Banking Supervision Department approval of the buyback plan limited the total distribution to up to 40% of the second-quarter net profit. The dividend will be paid on September 9, 2024.

Income statement

- ◆ **Income from regular financing activity** in the second quarter totaled NIS 4,536 million, an increase of 12.1% vs. the preceding quarter and 0.6% compared to the corresponding quarter last year. The main impact vs. the preceding quarter was the higher CPI (1.6%), which contributed NIS 556 million in the quarter vs. NIS 93 million in the last quarter. Another factor positively affecting **income from regular financing activity** in the quarter is the growth in activity. At the same time, the share of non-interest-bearing deposits, currently standing at 27% of total deposits, and the BOI interest rate both stayed relatively stable and supported the top line. The **financial margin from regular activity** increased from 2.53% in the first quarter to 2.78% in the second quarter, mainly due to the higher CPI.

Income from regular financing activity in the second quarter of 2024 stayed relatively flat compared to the corresponding quarter last year, as it was impacted by the higher CPI on one hand, and a lower proportion of non-interest-bearing deposits on the other hand.

- ◆ **Income from non-regular financing activity** amounted to NIS 170 million in the second quarter, vs. NIS 39 million in the first quarter, positively affected by gains from buyback of bonds in the amount of approximately NIS 149 million, lower losses from realizations of bonds, and lower financing costs in respect of benefits granted by the bank to its customers due to the Swords of Iron War (NIS 44 million vs. NIS 58 million in the first quarter).
- ◆ **Fee income** totaled NIS 1,021 million in the second quarter, compared with NIS 970 million in the previous quarter and NIS 961 million in the same quarter last year. In comparison to the previous quarter, fees increased as a result of an increase in various fees, such as credit-card fees, account-

management fees, and more. Compared to the corresponding quarter, fees were higher due to growth in securities activity, financing transactions, and credit-processing fees. On the other hand, fees were negatively influenced by war-related customer benefits, in the amount of NIS 20 million in the second quarter and NIS 23 million in the first quarter of 2024.

- ◆ **Operating and other expenses** totaled NIS 2,106 million in the second quarter, compared with NIS 2,033 million in the previous quarter and NIS 2,181 million in the same quarter last year, an increase of 3.6% QoQ, and a decrease of 3.4% YoY. Compared to the previous quarter, total **operating and other expenses** increased mainly as a result of an increase in **salary and related expenses**, due to an increase in performance-based bonuses. In addition, **other expenses** increased due to donations, in particular an NIS 41 million expense for the restoration of the southern area of the country, as part of the activity of the Poalim Rebuild Fund, and an increase in various other line items.

Compared to the corresponding quarter, **operating and other expenses** decreased, as a result of a decline in expenses for **maintenance and depreciation of buildings and equipment**, which mainly resulted from a decrease in software depreciation and impairment expenses. **Operating and other expenses** were also impacted by lower **salary and related expenses**, as 2023 second-quarter expenses included a one-time grant in respect of the collective wage agreement.

- ◆ The **cost-income ratio** for the second quarter of 2024 stood at 36.7%, compared with 39.9% in the previous quarter and 38.1% in the corresponding quarter. The **cost-income ratio** for the first half of 2024 was 38.3%, roughly similar to the comparable period last year.
- ◆ In the second quarter of 2024, **provision for credit losses** amounted to an income of NIS 49 million (credit-loss ratio of -0.05%). The income from credit losses was due to an NIS 240 million net individual provision, as a result of recoveries from a small number of borrowers. This was partially offset by a NIS 191 million collective allowance and automatic charge-offs. The increase in the **collective allowance** resulted from current estimates of continuation of the war and the potential for multiple fronts, and rising uncertainty.

Recent developments

- ◆ **CEO appointment:** On June 30, 2024, the board of directors of Bank Hapoalim approved the recommendation of the search committee to appoint Yadin Antebi as CEO of the bank. Antebi replaces Dov Kotler, who announced his departure after five years as CEO in May. The appointment has been approved by the Banking Supervision Department, and will take effect on August 15, 2024.

- ◆ **Poalim Rebuild – donation of NIS 100 million by the bank:** The Poalim Rebuild Fund, founded following the events of October 7th, is dedicated to strengthening and developing the personal, community, and economic resilience of communities and businesses in the Western Negev region. The fund has continued its activities, budgeted at approximately NIS 40 million to date (of a total budget of NIS 100 million). Over the last few months, the fund approved a support program of approximately NIS 10 million for soldiers injured during the Swords of Iron War, and a program providing approximately NIS 10 million in support for Sapir Academic College, in which students will study and research the challenges of the Western Negev region and operate intervention programs. In addition to these processes, the fund recently announced a program supporting agriculture in the Western Negev, as well as support for the establishment of four pre-military preparatory programs in the Western Negev.

- ◆ **Maala index ESG rating:** Bank Hapoalim earned a score of AAA on the Maala ESG ratings for 2024, and ranks first among all companies in Israel for the seventh consecutive year. The first-place position in the local Maala rankings joins the high ratings earned by Bank Hapoalim on international ESG indices: for example, Bank Hapoalim is the only company in Israel to appear in the S&P Global Yearbook, for the third consecutive year; ranks first in ESG transparency ratings by Bloomberg, of all companies in the global financial sector; and ranks in the top deciles of the ratings by Sustainalytics, Refinitiv, and MSCI.

- ◆ **Benefits for customers:** To support customers coping with the impacts of the war, the bank announced a series of significant benefits for its customers in the areas of mortgages, loans, deposits, and fees, differentiating 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. The effect of the benefits utilized by customers is approximately NIS 384 million.
 - **Payment deferrals:** As part of the benefits granted to customers, as noted above, the bank offered deferral of loan payments. The balance of credit in which modifications of terms were made has decreased to NIS 4.3 billion (compared to NIS 27.2 billion total deferrals granted), so that in 84% of the loans modified, the deferral has ended.

Conference-call information

Bank Hapoalim will host a conference call today to discuss the results. The call will take place at 6:00 p.m. Israel time / 4:00 p.m. UK time / 11:00 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 [BankHapoalimQ2.2024](#). 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 159 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). 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

	2024		2023			
	Q2	Q1	Q4	Q3	Q2	Q1
NIS millions						
Main profit and loss data – quarterly development						
Net interest income	4,384	3,814	3,747	4,006	4,295	4,037
Non-interest financing income (expenses)	322	272	310	203	414	340
Net financing profit	4,706	4,086	4,057	4,209	4,709	4,377
Provision (income) for credit losses	(49)	(14)	453	662	579	185
Fees and other income	1,026	1,004	943	1,089	1,016	982
Operating and other expenses	2,106	2,033	1,897	2,059	2,181	2,094
Profit before taxes	3,675	3,071	2,650	2,577	2,965	3,080
Net profit attributed to shareholders of the Bank	2,238	1,938	1,761	1,669	1,922	2,008
Return of net profit (in percent)	16.4%	14.6%	14.0%	13.4%	15.8%	17.0%
Financing margin from regular activity ⁽¹⁾	2.78%	2.53%	2.48%	2.65%	2.80%	2.77%

(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.

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

	For the three months ended		For the six months ended		For the year ended
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	December 31, 2023
NIS millions					
Main credit quality indicators					
Total allowance for credit losses* as a percentage of credit to the public	1.84%	1.74%	1.84%	1.74%	1.92%
Allowance for credit losses in respect of credit to the public as a percentage of credit to the public	1.60%	1.50%	1.60%	1.50%	1.69%
Credit to the public, non-accruing or past due by 90 days or more, as a percentage of credit to the public	0.86%	0.89%	0.86%	0.89%	1.06%
Net charge-offs as a percentage of average credit to the public	(0.02%)	0.12%	0.04%	0.07%	0.09%
Provision (income) for credit losses as a percentage of average credit to the public**	(0.05%)	0.57%	(0.03%)	0.38%	0.46%
Main profit and loss data					
Net profit attributed to shareholders of the Bank	2,238	1,922	4,176	3,930	7,360
Net interest income	4,384	4,295	8,198	8,332	16,085
Net financing profit ⁽¹⁾	4,706	4,709	8,792	9,086	17,352
Non-interest income	1,348	1,430	2,624	2,752	5,297
Of which: fees	1,021	961	1,991	1,929	3,892
Total income	5,732	5,725	10,822	11,084	21,382
Provision (income) for credit losses	(49)	579	(63)	764	1,879
Operating and other expenses	2,106	2,181	4,139	4,275	8,231
Of which: salaries and related expenses	1,129	1,171	2,228	2,419	4,492
Additional data					
Net profit per share attributed to shareholders of the Bank – basic (in NIS)	1.67	1.44	3.12	2.94	5.50
Total dividend per share (in NIS) ⁽²⁾	0.48	0.58	1.06	1.18	1.69

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

** Including provisions in respect of banks and governments.

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

(2) Dividends in respect of the relevant period (excluding buyback of shares).

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

	As at		
	June 30, 2024	June 30, 2023	December 31, 2023
NIS millions			
Main balance sheet data			
Total assets	685,140	668,784	686,530
Of which: Cash and deposits with banks	107,821	97,082	107,730
Securities	123,948	132,301	127,122
Net credit to the public	416,297	400,136	407,381
Net problematic credit risk	8,036	6,616	7,814
Credit to the public not accruing interest income (NPL)	3,449	3,287	4,012
Total liabilities	629,634	619,441	634,100
Of which: Deposits from the public	552,612	529,703	554,595
Deposits from banks	11,371	10,793	9,085
Bonds and subordinated notes	19,535	24,804	21,800
Shareholders' equity	55,506	49,342	52,430
Additional data			
Share price at end of period (in NIS)	33.7	30.4	32.9

Table 2-4: Composition of net financing profit

	2024			2023		
	Q2	Q1	Q4	Q3	Q2	Q1
NIS millions						
Interest income	9,110	8,091	8,325	8,502	8,622	7,522
Interest expenses	(4,726)	(4,277)	(4,578)	(4,496)	(4,327)	(3,485)
Net interest income	4,384	3,814	3,747	4,006	4,295	4,037
Non-interest financing income (expenses)	322	272	310	203	414	340
Total reported financing profit	4,706	4,086	4,057	4,209	4,709	4,377
Excluding effects not from regular activity:						
Income (expenses) from investment in bonds available for sale	(60)	(216)	(166)	(203)	(146)	(79)
Profit (loss) from investments in shares	84	139	76	49	131	113
Adjustments to fair value of derivative instruments ⁽¹⁾	40	47	164	88	187	(67)
Others ⁽²⁾	106	69	(123)	4	26	11
Total effects not from regular activity	170	39	(49)	(62)	198	(22)
Total income from regular financing activity*	4,536	4,047	4,106	4,271	4,511	4,399
* Of which: in respect of changes in the CPI	556	93	27	239	382	266

(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 gains from buyback of bonds in the amount of approximately NIS 149 million and approximately NIS 260 million in the three-month and six-month periods ended June 30, 2024, respectively. Also includes 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 44 million and approximately NIS 102 million in the three-month and six-month periods ended on June 30, 2024, respectively (in the first quarter of 2024: NIS 58 million; in the fourth quarter of 2023: NIS 129 million), and the effect of hedging of currency exposures of non-monetary items.

Table 2-6: provision for credit losses in respect of debts and in respect of off-balance sheet credit instruments (continued)

	2024		2023			
	Q2	Q1	Q4	Q3	Q2	Q1
	NIS millions					
Individual provision for credit losses	137	25	82	120	209	51
Decrease in individual allowance for credit losses and recovery of charged off debts	(377)	(56)	(28)	(127)	(96)	(58)
Net individual provision (income) for credit losses	(240)	(31)	54	(7)	113	(7)
Net provision (income) in respect of the collective allowance for credit losses and net automatic charge-offs*	191	17	399	669	466	192
Total provision (income) for credit losses**	(49)	(14)	453	662	579	185
** Of which:						
Net provision (income) for credit losses in respect of commercial credit risk	(155)	(117)	319	562	372	136
Net provision (income) for credit losses in respect of housing credit risk	(8)	(44)	39	4	62	12
Net provision (income) for credit losses in respect of other private credit risk	108	148	97	110	133	39
Net provision (income) for credit losses in respect of risk of credit to banks and governments and bonds	6	(1)	(2)	(14)	12	(2)
Total provision (income) for credit losses	(49)	(14)	453	662	579	185
	In %					
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⁾	(0.05%)	(0.01%)	0.44%	0.65%	0.57%	0.19%
Gross individual provision for credit losses as a percentage of the average balance of credit to the public	0.13%	0.02%	0.08%	0.12%	0.21%	0.05%
Gross provision for credit losses as a percentage of the average balance of credit to the public ⁽²⁾	0.31%	0.04%	0.47%	0.77%	0.67%	0.24%
Net charge-offs in respect of credit to the public as a percentage of the average balance of credit to the public	(0.02%)	0.09%	0.14%	0.10%	0.12%	0.01%
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	(1.12%)	5.62%	8.46%	6.04%	7.89%	0.86%

* 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
	June 30, 2024	December 31, 2023	
	NIS millions		
Private customers*	38,219	37,663	1.5%
Small businesses*	33,313	32,729	1.8%
Housing loans	133,939	131,057	2.2%
Commercial	60,264	59,300	1.6%
Corporate	123,950	123,994	(0.0%)
International activity	21,870	18,072	21.0%
Financial management	4,742	4,566	3.9%
Total	416,297	407,381	2.2%

* Includes the receivables balance in respect of credit cards.