

Bank Hapoalim Announces 2024 Third Quarter Results

- ◆ **Net profit** in 3Q24 totaled NIS 1,905 million; **return on equity** 13.6%.
- ◆ **Net profit** in the first nine months of 2024 totaled NIS 6,081 million; **return on equity** 14.9%.
- ◆ **Cost-income ratio** of 36.6% in 3Q24, 37.7% in the first nine months of 2024.
- ◆ **Income from regular financing activity** increased by 3.1% QoQ, affected by the high CPI and strong growth in activity.
- ◆ **Credit growth** was strong and diversified across all segments of operation, at 3.4% in the quarter and 6.4% in the last year.
- ◆ Credit quality metrics continue to improve. The **NPL ratio** decreased to 0.71% and the **NPL coverage ratio** rose to 224%. **Credit-loss ratio** was 0.38% in the quarter, due to an increase in the collective provision, to reflect the continuation of the war and its implications.
- ◆ The bank continues to maintain high capital and liquidity buffers; the **CET-1 capital ratio** stood at 11.90% (vs. 10.23% minimum regulatory requirement and 10.5% minimum internal target) and **LCR** at 132% (vs. 100% minimum regulatory requirement).
- ◆ The board of directors declared a distribution at an overall rate of 40% of net profit, of which a **cash dividend** of NIS 512 million and the rest through the exercise of the second tranche of the **share buyback plan** (NIS 250 million).

Tel Aviv, Israel – November 18, 2024 – Bank Hapoalim (TASE: POLI) today announced its financial results for the third quarter ended September 30, 2024.

Key highlights

- ◆ **Net profit** in the third quarter of 2024 totaled NIS 1,905 million, compared with NIS 2,238 million in the preceding quarter and NIS 1,669 million in the same quarter last year. **Net profit** decreased vs. the preceding quarter, mainly due to reserve build, which led to an increase in the provision for credit losses, and a loss from realization of bonds. In comparison to the corresponding quarter, **net profit** was 14.1% higher, mainly due to an increase in total income and lower provision for credit losses.
- ◆ **Return on equity (ROE)** for the third quarter stood at 13.6%, compared with 16.4% in the preceding quarter and 13.4% in the same quarter last year. **ROE** for the first nine months of 2024 was 14.9%.
ROE in the first nine months of 2024 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** was influenced by the relatively high level of capital.
- ◆ **Total income** decreased by 1.8% compared to the previous quarter, as a result of a loss from bond realizations, which mitigated the increase in net interest income that resulted from the growth in activity. Compared to the corresponding quarter, **total income** increased by 6.2%, due the higher CPI contribution in the current quarter and the substantial growth in activity, mainly in credit.
- ◆ **The CET-1 capital ratio** as at September 30, 2024, stood at 11.90%, an increase of 37 bps since September 30, 2023, vs. the 10.23% minimum regulatory requirement and 10.5% minimum internal target. The **total capital ratio** as at September 30, 2024, stood at 14.80%, vs. a 13.5% minimum regulatory requirement.
- ◆ **LCR** and **NSFR** are at 132% and 125% respectively, vs. the minimum regulatory requirement of 100%.
- ◆ **Credit quality indicators** remained strong; the **NPL ratio** stood at 0.71% and the **NPL coverage ratio** (balance sheet allowance for credit losses/NPL) increased to a level of 224%.

Balance sheet

- ◆ **Net credit to the public** in the third quarter of 2024 totaled NIS 430.4 billion, compared with NIS 416.3 billion in the preceding quarter, an increase of 3.4%. Compared with the corresponding quarter, net credit to the public increased by 6.4%. The growth in the credit portfolio is a result of suppressed demand that had built up in recent months, due to the war and the high level of uncertainty, and was released as individuals and businesses adjusted to the situation. **Corporate credit** increased by 6.6% in comparison to the preceding quarter, and by 9.1% in comparison to the corresponding quarter; **commercial credit** increased by 2.7% QoQ and 6.0% YoY. In the retail banking division, the **housing loan portfolio** grew by 1.8% QoQ and 4.5% YoY, **small business credit** increased by 0.8% and 2.2%, and **consumer credit** grew by 1.4% and 1.5%, respectively.
- ◆ **Total deposits** reached NIS 569.9 billion, an increase of 3.1% vs. the last quarter and 7.0% vs. the same quarter last year. **Retail deposits** decreased by 0.6% compared to the second quarter of 2024 and grew by 4.6% in the last twelve months, to NIS 328.2 billion, constituting 58% of **total deposits**.
- ◆ **The allowance for credit losses** stood at NIS 8.0 billion as at September 30, 2024, of which NIS 7.4 billion attributed to the collective allowance. The total allowance constitutes 1.81% of total credit.
- ◆ **Shareholders' equity** grew by 3.0% in the third quarter and by 13.7% in the last year, to NIS 57.2 billion, supported by our strong organic capital generation.
- ◆ **Dividend distribution and share buyback:** The board of directors declared distribution at an overall rate of 40% of net profit (according to the Banking Supervision Department guidance regarding capital distribution), of which a cash dividend in the amount of approximately NIS 512 million and the rest through the exercise of the second tranche of the share buyback plan (up to NIS 250 million). The dividend will be paid on December 11, 2024.

Income statement

- ◆ **Income from regular financing activity** in the third quarter totaled NIS 4,707 million, a high increase of 3.1% vs. the preceding quarter and 10.2% compared to the corresponding quarter last year. The main impact vs. the preceding quarter was growth in activity. Compared to the corresponding quarter, income from regular financing activity benefited from the higher CPI (1.6% in 3Q24), which contributed NIS 556 million in the quarter vs. NIS 239 million in the corresponding quarter, and the substantial growth in activity, mainly in credit. The **financial margin from regular activity** stayed at 2.79% in the third quarter.
- ◆ **Income from non-regular financing activity** recorded a loss of NIS 88 million in the third quarter, which mainly resulted from a NIS 301 million loss from realization of bonds, partially mitigated by NIS 146 million in profit from investment in shares.
- ◆ **Fee income** totaled NIS 992 million in the third quarter, compared with NIS 1,021 million in the previous quarter and NIS 1,038 million in the same quarter last year. In comparison to the previous quarter, fees decreased mainly as a result of a decrease in credit processing fees, due to timing differences in the completion of syndication deals. Compared to the corresponding quarter, fees were negatively influenced by a decline in financing transaction fees and by war-related customer benefits, in the amount of NIS 15 million in the third quarter (a total of NIS 58 million in the first nine months of 2024).
- ◆ **Operating and other expenses** totaled NIS 2,062 million in the third quarter, compared with NIS 2,106 million in the previous quarter and NIS 2,059 million in the same quarter last year, a decrease of 2.1% QoQ, and an increase of 0.1% YoY. Compared to the previous quarter, total **operating and other expenses** decreased mainly as a result of a decline in **salary and related expenses**, which were impacted by lower performance-based bonuses. Compared to the corresponding quarter, **operating and other expenses** stayed relatively flat, as **salary and related expenses** were impacted by lower performance-based bonuses and a decrease in the base salary, offset by an increase in **other expenses** (nine-month other expenses included NIS 81 million in donations in respect of the war).

- ◆ The **cost-income ratio** for the third quarter of 2024 continued to be very strong and stood at 36.6%, compared with 36.7% in the previous quarter and 38.9% in the corresponding quarter. The **cost-income ratio** for the first nine months of 2024 was 37.7%, vs. 38.7% in the comparable period last year.
- ◆ In the third quarter of 2024, **provision for credit losses** amounted to NIS 406 million (a credit-loss ratio of 0.38%). The provision for credit losses was impacted by further build of the collective allowance, to reflect the continuation and expansion of the war, as well its possible effects on the real-estate sector. Alongside the reserve build, the trend of income from individual provision continues, resulting from recoveries from a number of borrowers.

Recent developments

◆ **Bit application**

Bit, our industry-leading payment app (3.3 million active users, of which approximately two-thirds are customers of other banks), introduced two new developments:

The first step marks an important milestone for our innovative app. Beginning in 2025, a 0.6% fee will apply to commercial customers receiving over NIS 25,000 per year through the app's P2P service.

The second step, launching this month, will allow all bit users to hold and manage stored funds through a payment account in the app. This feature not only adds value for our customers but also benefits the bank by reducing clearing fees and expanding its deposit base.

About bit: originally established as a P2P payment app. Beyond its primary popular service of money transfers between users, bit users are also enjoying P2M services, where they can make online payments to merchants directly through the app, pay municipal tax and water bills, order foreign currency and receive it at the airport, receive credits and reimbursements from insurance companies, and more.

◆ **Management appointments**

On September 25, 2024, at the recommendation of the CEO of the bank, the board of directors approved the following appointments on the board of management of the bank: (1) **Pazit Garfinkel** will be appointed Head of Retail Banking. Ms. Garfinkel has worked at the bank for about 22 years; she served as Head of the Customer Experience and Direct Banking Area, and previously held senior roles in the Retail Banking Division and the Human Resources Division. (2) **Adi Dauber** was appointed Head of Financial Markets. Mr. Dauber has worked at the bank for about 20 years; he served as Head of the Dealing Room and Brokerage Area, and previously held a variety of roles in the dealing rooms. Mr. Dauber replaced Yadin Antebi, who was appointed CEO in August 2024.

◆ **Credit-linked notes issuance**

On September 24, 2024, the bank completed an issuance at a volume of approximately NIS 1.0 billion of credit-linked notes (CLN) for institutional investors. The notes were listed for trading on the institutional trading system of the stock exchange, and bear the Bank of Israel interest rate plus a margin of 2.25%, to be paid semiannually. The notes bear part of the credit risk to which the bank is exposed in connection with its portfolio of loans granted to several borrowers in the area of real estate, as in the event that the bank determines that a credit event has occurred with respect to one or more of the loans, the bond principal will be reduced, in accordance with the terms of the trust deed. The bond principal matures in one payment on September 30, 2027, if no early redemption is carried out by the bank, as detailed in the trust deed.

The notes are recognized as eligible financial collateral in accordance with Proper Conduct of Banking Business Directive 203, and as deductible collateral in the calculation of customer indebtedness under Proper Conduct of Banking Business Directive 313 and in the calculation of sectoral indebtedness under Proper Conduct of Banking Business Directive 315.

The bank is examining the possibility of issuing subordinated notes with a loss-absorption mechanism. There is no certainty regarding the execution, terms, or timing of the issuance.

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 [BankHapoalimQ3.2024](#). 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

NIS millions	2024				2023		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Main profit and loss data – quarterly development							
Net interest income	4,577	4,384	3,814	3,747	4,006	4,295	4,037
Non-interest financing income (expenses)	42	322	272	310	203	414	340
Net financing profit	4,619	4,706	4,086	4,057	4,209	4,709	4,377
Provision (income) for credit losses	406	(49)	(14)	453	662	579	185
Fees and other income	1,008	1,026	1,004	943	1,089	1,016	982
Operating and other expenses	2,062	2,106	2,033	1,897	2,059	2,181	2,094
Profit before taxes	3,159	3,675	3,071	2,650	2,577	2,965	3,080
Net profit attributed to shareholders of the Bank	1,905	2,238	1,938	1,761	1,669	1,922	2,008
Return of net profit (in percent)	13.6%	16.4%	14.6%	14.0%	13.4%	15.8%	17.0%
Financing margin from regular activity ⁽¹⁾	2.79%	2.79%	2.54%	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 nine months ended		For the year ended
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023	December 31, 2023
Main credit quality indicators					
Total allowance for credit losses* as a percentage of credit to the public	1.81%	1.86%	1.81%	1.86%	1.92%
Allowance for credit losses in respect of credit to the public as a percentage of credit to the public	1.58%	1.63%	1.58%	1.63%	1.69%
Credit to the public, non-accruing or past due by 90 days or more, as a percentage of credit to the public	0.77%	1.02%	0.77%	1.02%	1.06%
Net charge-offs as a percentage of average credit to the public	0.27%	0.10%	0.11%	0.08%	0.09%
Provision (income) for credit losses as a percentage of average credit to the public**	0.38%	0.65%	0.11%	0.47%	0.46%

Main profit and loss data, NIS millions

Net profit attributed to shareholders of the Bank	1,905	1,669	6,081	5,599	7,360
Net interest income	4,577	4,006	12,775	12,338	16,085
Net financing profit ⁽¹⁾	4,619	4,209	13,411	13,295	17,352
Non-interest income	1,050	1,292	3,674	4,044	5,297
Of which: fees	992	1,038	2,983	2,967	3,892
Total income	5,627	5,298	16,449	16,382	21,382
Provision (income) for credit losses	406	662	343	1,426	1,879
Operating and other expenses	2,062	2,059	6,201	6,334	8,231
Of which: salaries and related expenses	1,036	1,136	3,264	3,555	4,492

Additional data

Net profit per share attributed to shareholders of the Bank – basic (in NIS)	1.43	1.25	4.55	4.19	5.50
Total dividend per share (in NIS) ⁽²⁾	0.38	0.25	1.45	1.43	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, as detailed in the section "Capital, capital adequacy, and leverage" in the Report of the Board of Directors and Board of Management).

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

	As at		
	September 30, 2024	September 30, 2023	December 31, 2023
	NIS millions		
Main balance sheet data			
Total assets	713,667	675,988	686,530
Of which: Cash and deposits with banks	115,842	92,131	107,730
Securities	124,400	136,810	127,122
Net credit to the public	430,395	404,371	407,381
Net problematic credit risk	8,468	7,042	7,814
Credit to the public not accruing interest income (NPL)	3,091	3,984	4,012
Total liabilities	656,511	625,736	634,100
Of which: Deposits from the public	569,938	532,756	554,595
Deposits from banks	10,839	8,953	9,085
Bonds and subordinated notes	20,823	23,810	21,800
Shareholders' equity	57,156	50,252	52,430
Additional data			
Share price at end of period (in NIS)	37.3	34.1	32.9

Table 2-4: Composition of net financing profit

	2024				2023		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	NIS millions						
Interest income	9,608	9,110	8,091	8,325	8,502	8,622	7,522
Interest expenses	(5,031)	(4,726)	(4,277)	(4,578)	(4,496)	(4,327)	(3,485)
Net interest income	4,577	4,384	3,814	3,747	4,006	4,295	4,037
Non-interest financing income (expenses)	42	322	272	310	203	414	340
Total reported financing profit	4,619	4,706	4,086	4,057	4,209	4,709	4,377
Excluding effects not from regular activity:							
Gain (loss) from realizations of bonds available for sale	(301)	(60)	(216)	(166)	(203)	(146)	(79)
Profit (loss) from investments in shares	146	84	139	76	49	131	113
Adjustments to fair value of derivative instruments ⁽¹⁾	28	40	47	164	88	187	(67)
Others ⁽²⁾	39	76*	49*	(123)	4	26	11
Total effects not from regular activity	(88)	140*	19*	(49)	(62)	198	(22)
Total income from regular financing activity**	4,707	4,566*	4,067*	4,106	4,271	4,511	4,399
** Of which: in respect of changes in the CPI	556	556	93	27	239	382	266

* Reclassified.

(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 0 million and approximately NIS 260 million in the three-month and nine-month periods ended September 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 15 million and approximately NIS 117 million in the three-month and nine-month periods ended on September 30, 2024, respectively (in the second quarter of 2024: NIS 44 million; 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

NIS millions	2024				2023		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Individual provision for credit losses	56	137	25	82	120	209	51
Decrease in individual allowance for credit losses and recovery of charged off debts	(120)	(377)	(56)	(28)	(127)	(96)	(58)
Net individual provision (income) for credit losses	(64)	(240)	(31)	54	(7)	113	(7)
Net provision (income) in respect of the collective allowance for credit losses and net automatic charge-offs*	470	191	17	399	669	466	192
Total provision (income) for credit losses**	406	(49)	(14)	453	662	579	185
** Of which:							
Net provision (income) for credit losses in respect of commercial credit risk	357	(155)	(117)	319	562	372	136
Net provision (income) for credit losses in respect of housing credit risk	(12)	(8)	(44)	39	4	62	12
Net provision (income) for credit losses in respect of other private credit risk	73	108	148	97	110	133	39
Net provision (income) for credit losses in respect of risk of credit to banks and governments and bonds	(12)	6	(1)	(2)	(14)	12	(2)
Total provision (income) for credit losses	406	(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⁾	0.38%	(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	0.05%	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⁾	0.49%	0.31%	0.04%	0.47%	0.77%	0.67%	0.24%

* 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.

(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
	September 30, 2024	December 31, 2023	
NIS millions			
Private customers*	38,749	37,663	2.9%
Small businesses*	33,584	32,729	2.6%
Housing loans	136,284	131,057	4.0%
Commercial	61,875	59,300	4.3%
Corporate	132,103	123,994	6.5%
International activity	23,049	18,072	27.5%
Financial management	4,751	4,566	4.1%
Total	430,395	407,381	5.6%

* Includes the receivables balance in respect of credit cards.