

Bank Hapoalim Announces 2024 First Quarter Results

- ◆ **Net profit** in 1Q24 totaled NIS 1,938 million; **return on equity** 14.6%.
 - ◆ **Cost income ratio** of 39.9%.
 - ◆ The bank is well prepared to cope with various macroeconomic scenarios. **CET-1 capital ratio** stood at 12.11% (vs. 10.23% minimum regulatory requirement) and **LCR** at 137% (vs. 100% minimum regulatory requirement).
 - ◆ **Allowance for credit losses** of NIS 7.9 billion, constituting 1.87% of total credit. **NPL coverage ratio** of 175%. Due to the high quality of the credit book, the built of the allowance buffer in recent quarters and improved macroeconomic indicators in the collective allowance model, the **collective allowance for credit losses** decreased slightly this quarter. This was reflected in income recorded from credit losses in the amount of NIS 14 million.
 - ◆ **Credit growth**: 1.0% in the first quarter, 4.3% in the last twelve months. Pace was already aligned to global and local macroeconomic uncertainties in 2022.
- Total deposits** decreased by 2.6% in the first quarter, however **retail deposits** grew 1.0%.
- ◆ Due to the bank's robust capital position and buffer, the board of directors has decided to raise the **dividend** payout ratio back to 40% of quarterly net profit, and distribute NIS 775 million in respect of the first quarter.

Tel Aviv, Israel – May 20, 2024 – Bank Hapoalim (TASE: POLI) today announced its financial results for the first quarter ended March 31, 2024.

Key highlights

- ◆ **Net profit** in the first quarter of 2024 totaled NIS 1,938 million, compared with NIS 1,761 million in the preceding quarter and NIS 2,008 million in the same quarter last year. **Net profit** increased by 10.1% vs. the preceding quarter mainly due to income from credit losses recorded in the first quarter. In comparison to the corresponding quarter, **net profit** was 3.5% lower, due to lower financing income which was partially offset by the aforementioned income from credit losses.
- Net profit** in the first quarter, was also 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.
- ◆ **Return on equity (ROE)** for the first quarter stood at 14.6%, compared with 14.0% in the preceding quarter and 17.0% in the same quarter last year. **ROE** in the quarter was also materially impacted by the relatively high level of capital.
 - ◆ **Total income** increased by 1.8% compared to the previous quarter, as a result of an increase in financing income, which resulted from a higher CPI and lower war-related benefits granted to customers, as well as due to growth in fees. Compared to the corresponding quarter, **total income** decreased by 5.0% influenced by a decrease in financing income, as a result of a lower CPI, lower share of non-interest bearing deposits and war-related benefits granted to customers, which were recorded in the quarter. This was partially offset by the higher BOI interest rates.
 - ◆ **The Common Equity Tier 1 (CET-1) capital ratio** as at March 31, 2024, stood at 12.11%, an increase of 75 bps since March 31, 2023, vs. a 10.5% minimum internal target and 10.23% minimum regulatory requirement. The **total capital ratio** as at March 31, 2024, stood at 15.12%, vs. a 13.5% minimum regulatory requirement.
 - ◆ **LCR** and **NSFR** are at 137% and 129% respectively, vs. the minimum regulatory requirement of 100%.
 - ◆ **Credit quality indicators** remained strong; the **NPL ratio** stood at 0.94% and the **NPL coverage ratio** (balance sheet allowance for credit losses/NPL) increased slightly to a level of 175%.

Balance sheet

- ◆ **Net credit to the public** in the first quarter of 2024 totaled NIS 411.3 billion, compared with NIS 407.4 billion in the preceding quarter, an increase of 1.0% and an increase of 4.3% compared to the same quarter last year.
The growth in the **credit portfolio** in recent quarters 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** decreased by 0.4% (affected by timing differences between quarters, while in comparison to the corresponding quarter corporate credit grew by 8.6%), and **commercial credit** increased by 1.5% in the first quarter. In the retail banking division, the **housing loan portfolio** grew by 0.7%, and **small business credit** and **consumer credit** grew by 1.9% and 0.9%, respectively.
- ◆ **Total deposits** reached NIS 539.9 billion, a decrease of 2.6% compared to the end of 2023. The decrease mainly resulted from a decrease in financial deposits and in deposits of business entities, as part of the management of the liquidity surpluses of the bank. **Retail deposits** grew by 1.0% from the beginning of 2024 to NIS 324.3 billion, constituting 60% of **total deposits**.
- ◆ Following several quarters in which we increased **the allowance for credit losses**, in the first quarter of 2024, it was slightly reduced, as a result of a decrease in the collective allowance. The balance of allowance stood at NIS 7.9 billion as at March 31, 2024, of which NIS 7.0 billion attributed to the collective allowance. The decrease in the collective allowance was due to improvement in macroeconomic parameters and forecast values of the parameters included in the collective allowance model, such as the unemployment rate, housing prices, and the GDP, compared with the values included in the model at the end of 2023. The total allowance constitutes 1.87% of total credit.
- ◆ **Shareholders' equity** grew by 3.1% in the first quarter and by 12.3% in the last year, to NIS 54.1 billion.
- ◆ At the date of approval of the financial statements, the board of directors of the bank declared the **distribution of dividends** in the amount of NIS 775 million – a return to a payout ratio of 40% of net profit, according to our policy. The dividend is to be paid on June 10, 2024.

Income statement

- ◆ **Income from regular financing activity** in the first quarter totaled NIS 4,047 million, a decrease of 1.4% vs. the preceding quarter and a decrease of 8.0% compared to the corresponding quarter last year. The main impact vs. the preceding quarter was the lower BOI interest rate, and a decrease in non-interest financing income from regular activity, which was partially offset by the higher CPI contribution (NIS 93 million vs. NIS 27 million in the fourth quarter). **Income from regular financing activity** in the first quarter of 2024, compared to the corresponding quarter last year, was impacted by a substantially lower CPI, a lower proportion of non-interest bearing deposits and a decrease in non-interest financing income from regular activity. This was partially mitigated by higher BOI interest rate. The **financial margin from regular activity** increased slightly from 2.48% in the fourth quarter to 2.53% in the first quarter, mainly due to a decrease in total deposits.
- ◆ **Income from non-regular financing activity** amounted to NIS 39 million in the first quarter, positively affected by income from shares, fair value of derivatives, and income from buyback of bonds. On the other hand, losses were recorded from bond realizations and war-related customer benefits (NIS 58 million).
- ◆ **Fee income** totaled NIS 970 million in the first quarter, compared with NIS 925 million in the previous quarter and NIS 968 million in the same quarter last year. In comparison to the previous quarter, fees increased mainly as a result of an increase in fees from securities activity and credit-processing fees. Compared to the corresponding quarter, fees were slightly higher due to growth in securities activity, financing transactions, and credit-processing fees. On the other hand, fees for conversion differences decreased. In addition, in the first quarter of 2024 this item was influenced by a decrease in account-management fees, due to war-related customer benefits, in the amount of NIS 23 million.

- ◆ **Operating and other expenses** totaled NIS 2,033 million in the first quarter, compared with NIS 1,897 million in the previous quarter and NIS 2,094 million in the same quarter last year, an increase of 7.2% QoQ, and a decrease of 2.9% YoY. Compared to the previous quarter, total operating and other expenses increased mainly as a result of an increase in salary and related expenses as fourth quarter results were impacted by a decrease in performance-based bonuses. Compared to the corresponding quarter, operating and other expenses decreased, as a result of lower salary and related expenses, as 2023 first quarter expenses included a one-time grant in respect of the collective wage agreement. This was partially offset by an increase in maintenance and depreciation expenses and other expenses.
- ◆ The **cost-income ratio** for the first quarter of 2024 stood at 39.9%, compared with 37.9% in the previous quarter and 39.1% in the corresponding quarter.
- ◆ In the first quarter of 2024, **provision for credit losses** amounted to a negative NIS 14 million (credit-loss ratio of -0.01%). The income from credit losses was due to a decrease in the collective allowance and income in the individual provision, due to recoveries. This was partially offset by automatic charge-offs.

The decrease in the collective allowance resulted from improvement in macroeconomic parameters and in the forecast values of the parameters included in the collective allowance model, including the unemployment rate, housing prices, and the GDP, compared with the values included in the model at the end of 2023.

- ◆ **Payments deferrals:**

To help customers cope with the impacts of the war, the Bank announced a series of benefits, differentiating customers directly affected by the war from the rest of the population. Some of the benefits included deferral of loan payments. The balance of credit with modification of terms amounted to NIS 29 billion, of which NIS 20 billion, is credit where the deferral has ended and regular payments have resumed.

Total benefits utilized in the fourth quarter of 2023 and the first quarter of 2024, amounted to NIS 240 million, recorded in various income lines.

Recent developments

◆ **Conclusion of service of the CEO of the bank**

CEO Dov Kotler recently announced his decision to conclude his service, after five years in this role. The date of conclusion of his service is to be determined, taking into consideration the progress of the procedure for the appointment of a new CEO. The board of has appointed a CEO search board committee, headed by the Chairman of the Board, Ruben Krupik, with the directors Ronit Abramson Rokach, David Avner, and Noam Hanegbi as the additional members. The search committee has commenced its work, and intends to accept applications for the office of CEO until June 4, 2024 (the committee may contact additional potential candidates, at its discretion).

- ◆ In April 2024 S&P downgraded the **credit rating** of the State of Israel. The rating downgrade leads, as at the report date, to a decrease of approximately 0.25% and approximately 0.31% in the common equity Tier 1 capital ratio and the total capital ratio of the bank, respectively; this impact will be reflected in capital-adequacy ratios of the second quarter of 2024.

◆ **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.

In the last few weeks, the fund has approved a support and assistance plan for all IDF soldiers injured during the war, in the amount of approximately NIS 10 million. It also recently approved NIS 10 million in support for Sapir Academic College, which is located in the south of Israel in the area affected by the war, for the development and implementation of a new three-year academic program focused on studying regional challenges and developing entrepreneurial solutions.

◆ **Participation in the state program to aid business owners in military reserve service**

According to the outline agreed upon with the Association of Banks, within the process of formulating the legislative amendments for the achievement of the state budget goals for 2024, in light of the war, the bank will donate a total of approximately NIS 29 million as aid for reserve soldiers who are business owners. This expense was recorded during the first quarter of 2024.

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 [BankHapoalimQ1.2024](#). 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 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). 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		
	Q1	Q4	Q3	Q2	Q1
Main profit and loss data – quarterly development					
Net interest income	3,814	3,747	4,006	4,295	4,037
Non-interest financing income (expenses)	272	310	203	414	340
Net financing profit	4,086	4,057	4,209	4,709	4,377
Provision (income) for credit losses	(14)	453	662	579	185
Fees and other income	1,004	943	1,089	1,016	982
Operating and other expenses	2,033	1,897	2,059	2,181	2,094
Profit before taxes	3,071	2,650	2,577	2,965	3,080
Net profit attributed to shareholders of the Bank	1,938	1,761	1,669	1,922	2,008
Return of net profit (in percent)	14.6%	14.0%	13.4%	15.8%	17.0%
Financing margin from regular activity ⁽¹⁾	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 year ended
	March 31, 2024	March 31, 2023	December 31, 2023
Main credit quality indicators			
Total allowance for credit losses* as a percentage of credit to the public	1.87%	1.65%	1.92%
Allowance for credit losses in respect of credit to the public as a percentage of credit to the public	1.65%	1.40%	1.69%
Credit to the public, non-accruing or past due by 90 days or more, as a percentage of credit to the public	1.02%	0.88%	1.06%
Net charge-offs as a percentage of average credit to the public	0.09%	0.01%	0.09%
Provision (income) for credit losses as a percentage of average credit to the public**	(0.01%)	0.19%	0.46%

NIS millions

Main profit and loss data			
Net profit attributed to shareholders of the Bank	1,938	2,008	7,360
Net interest income	3,814	4,037	16,085
Net financing profit ⁽¹⁾	4,086	4,377	17,352
Non-interest income	1,276	1,322	5,297
Of which: fees	970	968	3,892
Total income	5,090	5,359	21,382
Provision (income) for credit losses	(14)	185	1,879
Operating and other expenses	2,033	2,094	8,231
Of which: salaries and related expenses	1,099	1,248	4,492
Additional data			
Net profit per share attributed to shareholders of the Bank – basic (in NIS)	1.45	1.50	5.50
Total dividend per share (in NIS) ⁽²⁾	0.58	0.60	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.

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

NIS millions	As at		
	March 31, 2024	March 31, 2023	December 31, 2023
Main balance sheet data			
Total assets	665,893	666,665	686,530
Of which: Cash and deposits with banks	97,901	95,918	107,730
Securities	119,486	137,338	127,122
Net credit to the public	411,286	394,399	407,381
Net problematic credit risk	8,605	6,637	7,814
Credit to the public not accruing interest income (NPL)	3,936	3,388	4,012
Total liabilities	611,845	618,549	634,100
Of which: Deposits from the public	539,902	528,897	554,595
Deposits from banks	13,011	9,284	9,085
Bonds and subordinated notes	20,775	26,417	21,800
Shareholders' equity	54,048	48,115	52,430
Additional data			
Share price at end of period (in NIS)	35.0	29.8	32.9

Table 2-4: Composition of net financing profit

NIS millions	2024		2023		
	Q1	Q4	Q3	Q2	Q1
Interest income	8,091	8,325	8,502	8,622	7,522
Interest expenses	(4,277)	(4,578)	(4,496)	(4,327)	(3,485)
Net interest income	3,814	3,747	4,006	4,295	4,037
Non-interest financing income (expenses)	272	310	203	414	340
Total reported financing profit	4,086	4,057	4,209	4,709	4,377
Excluding effects not from regular activity:					
Income (expenses) from realization and adjustments to fair value of bonds	(238)	(152)	(197)	(143)	(77)
Profit (loss) from investments in shares	139	76	49	131	113
Adjustments to fair value of derivative instruments ⁽¹⁾	47	164	88	187	(67)
Others ⁽²⁾	91	(137)	(2)	23	9
Total effects not from regular activity	39	(49)	(62)	198	(22)
Total income from regular financing activity* ⁽³⁾	4,047	4,106	4,271	4,511	4,399
* Of which: in respect of changes in the CPI	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) Includes profit in respect of bond buybacks. 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 58 million (in the fourth quarter of 2023: 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 2-6: Cumulative provision for credit losses in respect of debts and in respect of off-balance sheet credit instruments (continued)

NIS millions	2024		2023		
	Q1	Q4	Q3	Q2	Q1
Individual provision for credit losses	25	82	120	209	51
Decrease in individual allowance for credit losses and recovery of charged off debts	(56)	(28)	(127)	(96)	(58)
Net individual provision (income) for credit losses	(31)	54	(7)	113	(7)
Net provision (income) in respect of the collective allowance for credit losses and net automatic charge-offs*	17	399	669	466	192
Total provision (income) for credit losses**	(14)	453	662	579	185
** Of which:					
Net provision (income) for credit losses in respect of commercial credit risk	(117)	319	562	372	136
Net provision (income) for credit losses in respect of housing credit risk	(44)	39	4	62	12
Net provision (income) for credit losses in respect of other private credit risk	148	97	110	133	39
Net provision (income) for credit losses in respect of risk of credit to banks and governments and bonds	(1)	(2)	(14)	12	(2)
Total provision (income) for credit losses	(14)	453	662	579	185
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⁾	(0.01%)	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	0.02%	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⁾	0.04%	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	0.09%	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	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

NIS millions	Balance as at		Change
	March 31, 2024	December 31, 2023	
Private customers*	38,013	37,663	0.9%
Small businesses*	33,335	32,729	1.9%
Housing loans	131,915	131,057	0.7%
Commercial	60,160	59,300	1.5%
Corporate	123,440	123,994	(0.4%)
International activity	20,285	18,072	12.2%
Financial management	4,138	4,566	(9.4%)
Total	411,286	407,381	1.0%

* Includes the receivables balance in respect of credit cards.