

Bank Hapoalim

2Q24 Quarterly Financial Review

Q2

Disclaimer

This presentation includes condensed information and selected data from Bank Hapoalim's 2Q24 financial results.

This presentation is not a substitute for the Bank's 2Q24 Financial Statements, which include the full financial information, including forward-looking information. The financial statements are available on the Bank's website at www.bankhapoalim.com - Investor Relations/Financial Information.

Some of the information in this presentation that does not refer to historical facts constitutes forward-looking information, as defined in the Securities Law.

Forward-looking statements regarding the Bank's business, financial condition, and results of operations are subject to risks and uncertainties that may cause actual results to differ materially from those

contemplated. Such forward-looking statements include, but are not limited to, product demand, pricing, market acceptance, changing economic conditions, risks in product and technology development, and the effect of the Bank's accounting policies, as well as certain other risk factors detailed from time to time in the Bank's filings with the securities authorities.

Data relating to business segments is presented according to "operating segments based on management approach" as disclosed in note 28A in the Bank's annual report.

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

2Q24 key messages

1

Another quarter of strong profitability and high double-digit ROE

2

Strong income in the quarter, supported by relatively high CPI; cost-income ratio of 36.7%

3

Ten months since the outbreak of the war, the economy is currently demonstrating impressive strength; Households and business sectors are also showing resilience

4

Continuous growth in credit, diversified among sectors, without compromising on margins and risks

5

The high-quality loan book is evident in continuous relatively low provisions, alongside significant credit loss reserve and a conservative classification approach

6

The bank continues to maintain material capital and liquidity buffers, to serve both a positive scenario in case of an economic rebound and a negative scenario of deterioration

7

Funding sources continue to be stable and strong; retail deposits keep growing and constitute the main funding base

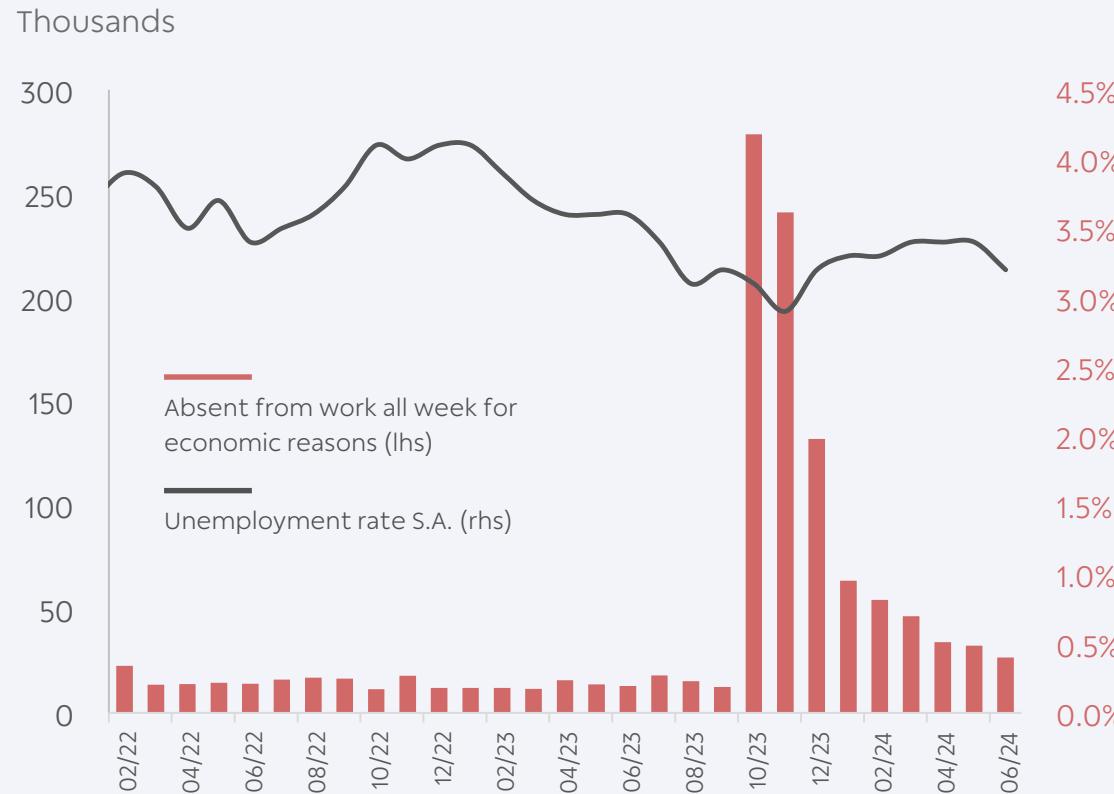
8

Share buyback plan of up to NIS 1 billion launched, alongside an ongoing dividend distribution (total declared distribution of 40% of second quarter's net profit)*

* The share buyback plan is subject to various terms, as detailed in the bank's immediate report regarding the approval of buyback plan, dated August 14, 2024.

A resilient economy even after ten months of war

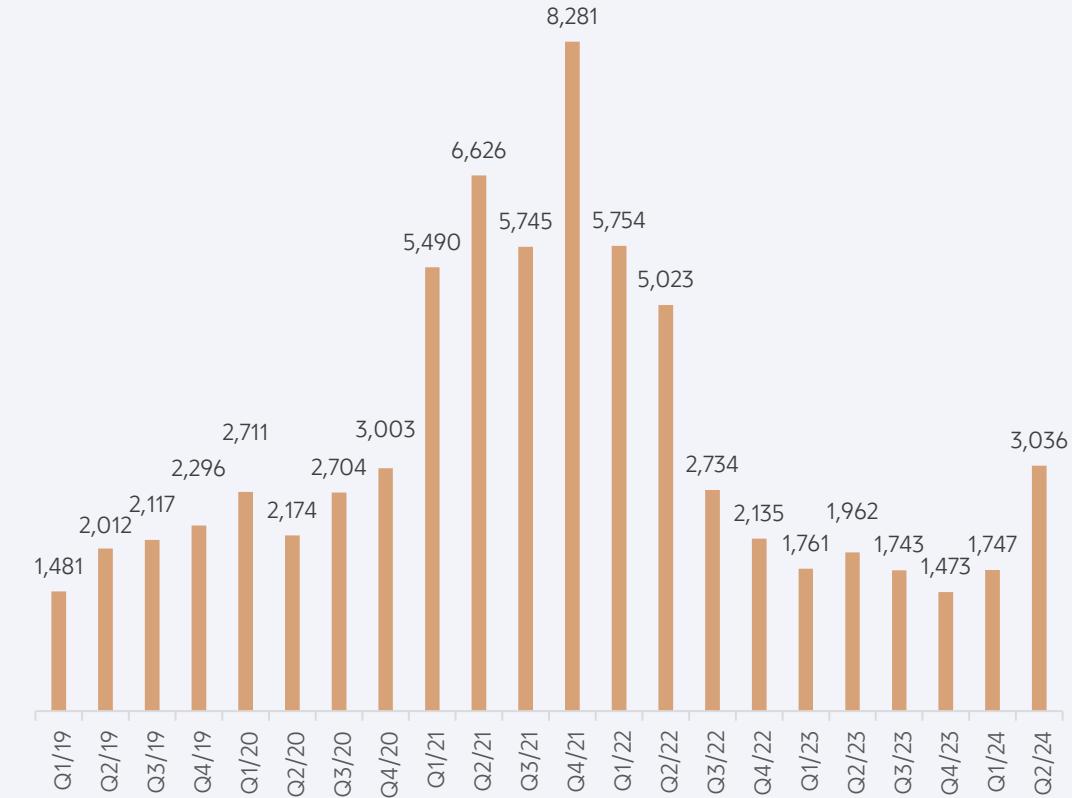
» Tight labor market; the number of workers absent from work has declined



Source: CBS

» The start-up companies are bouncing back

Investments in hi-tech companies, \$million per quarter



Source: IVC

Housing market emerges from hibernation

» Apartments price indices



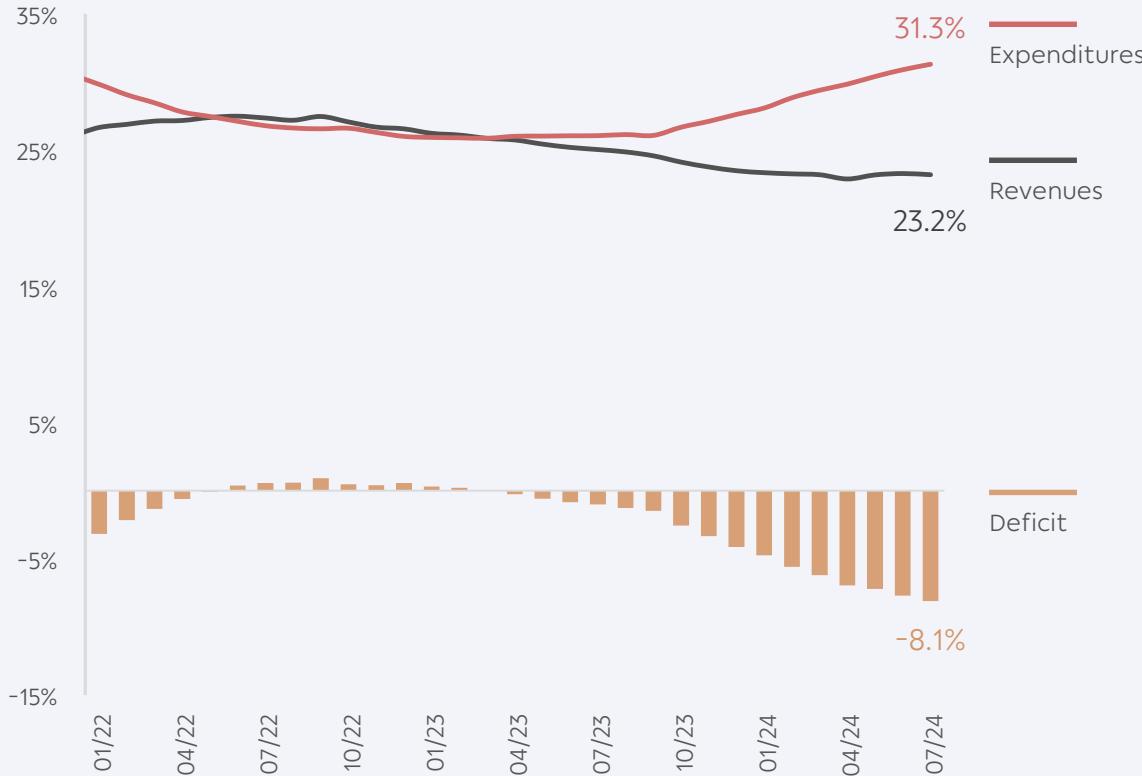
» Home sales



The fiscal position has deteriorated; markets await policy response

» Government balance, 12-month trailing sum

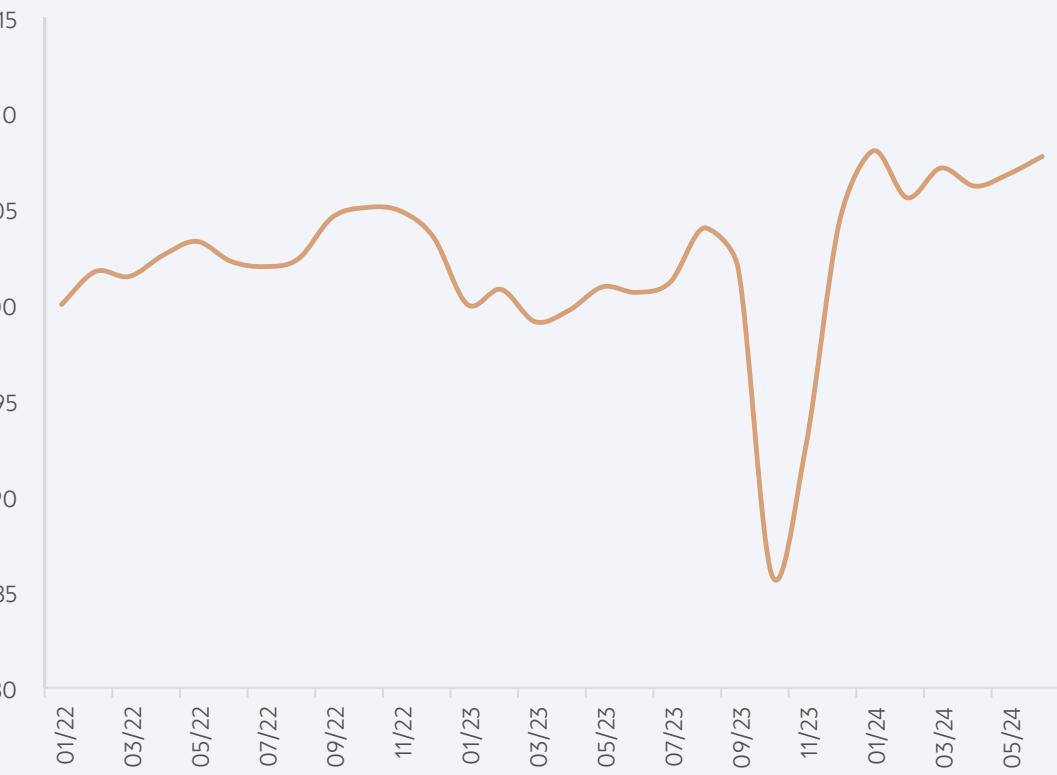
% of GDP



Source: MOF

» Private consumption has stabilized after first-quarter rebound

Credit-card purchases (domestic only), Jan 2022=100, real terms



Source: CBS

Inflation risks tilted upward, while political risks affected the fixed-income market

» Year-on-year change in CPI



» 10-year government bond yields, local currency



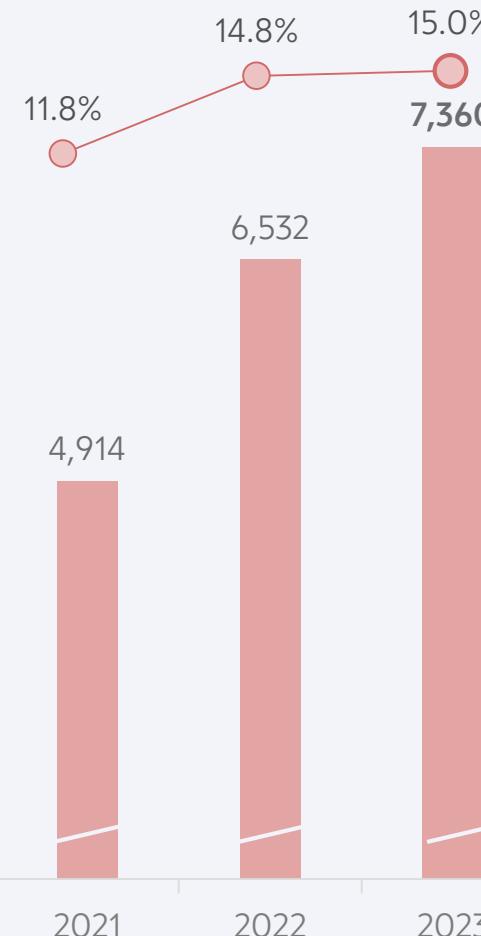
Source: CBS

Source: Bloomberg

Consistently delivering mid-double-digit ROE

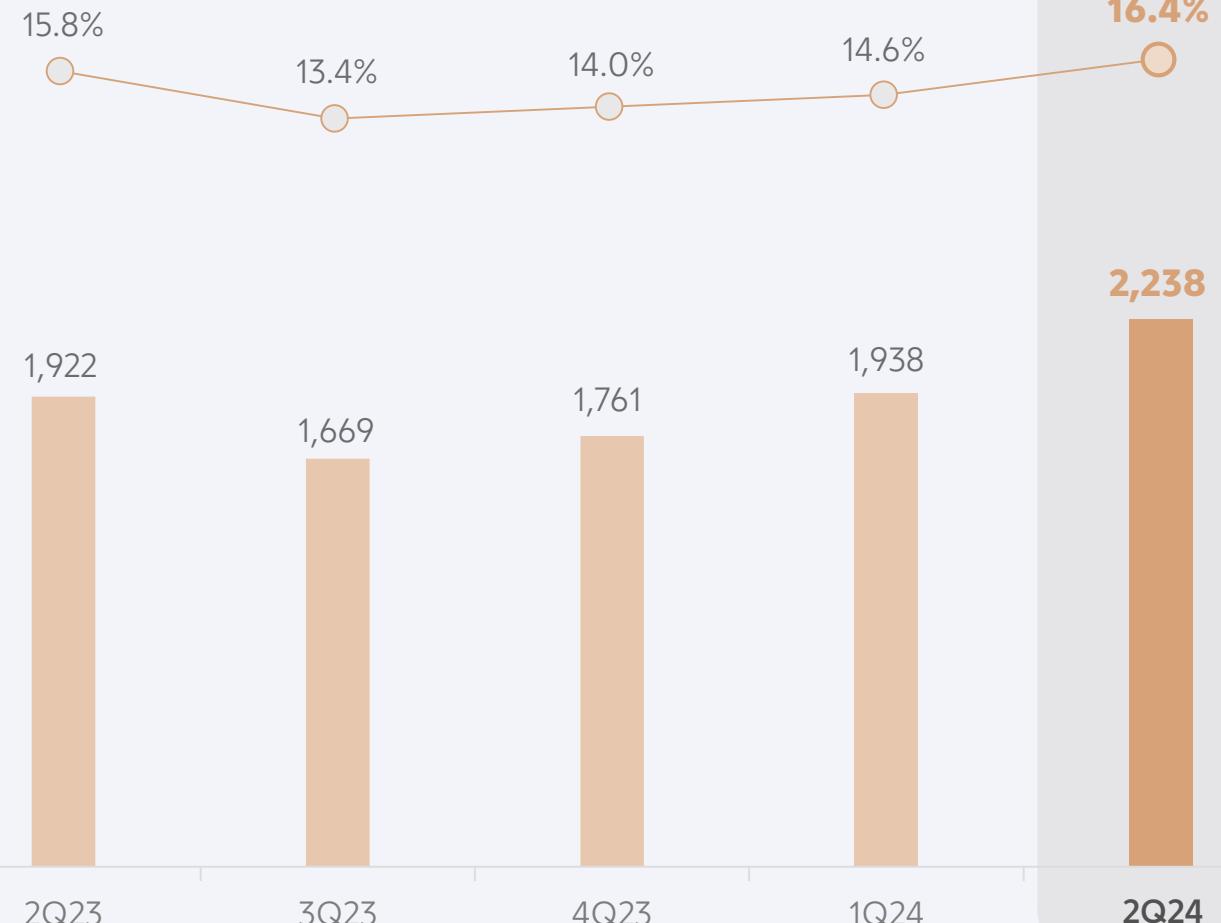
» Net profit & ROE, annually

NIS million



» Net profit & ROE, quarterly

NIS million

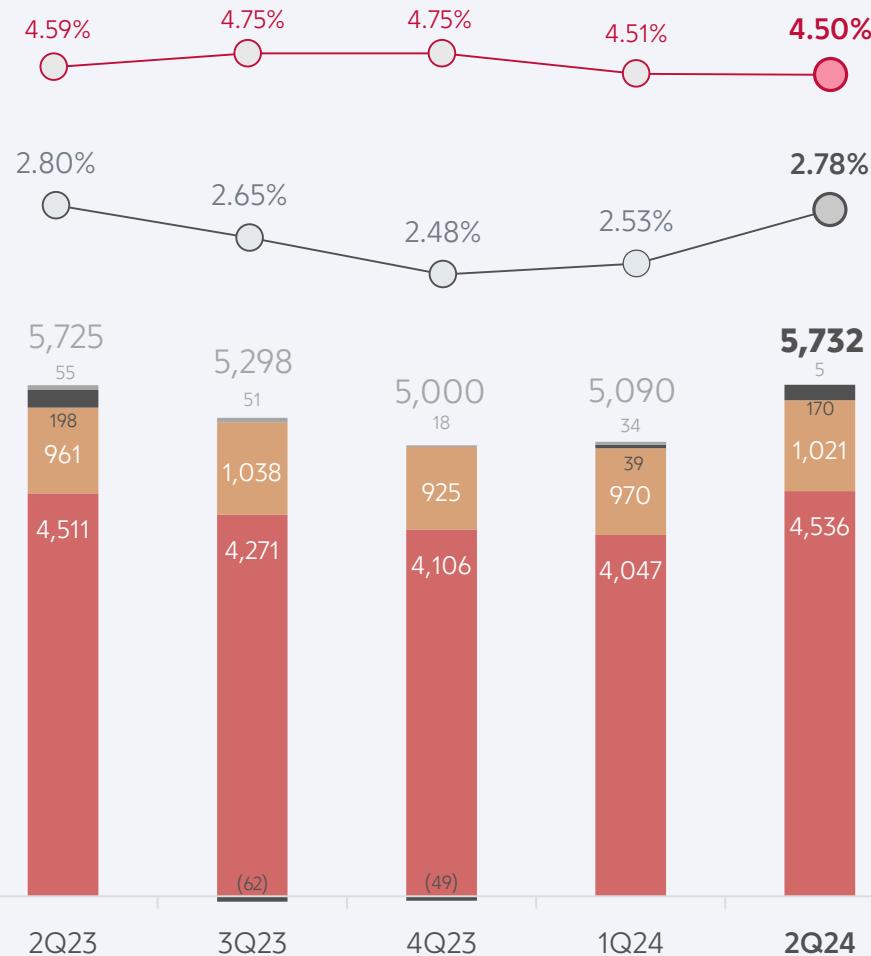


Note: Excluding special items, net profit for 2021 totaled NIS 4,957 million (ROE of 11.9%).

Strong income in the quarter, supported by our CPI position

1 » Total income

NIS million



BOI interest rate (avg.)

Financial margin from regular activity

Total income

Other income

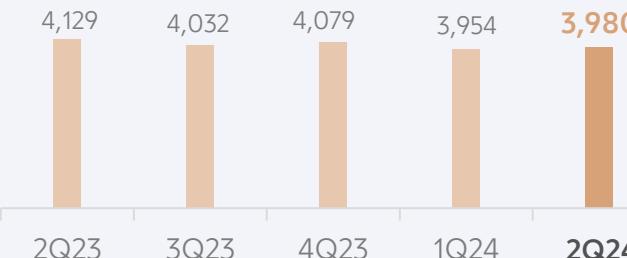
Income from non-regular financing activity

Fees

Income from regular financing activity

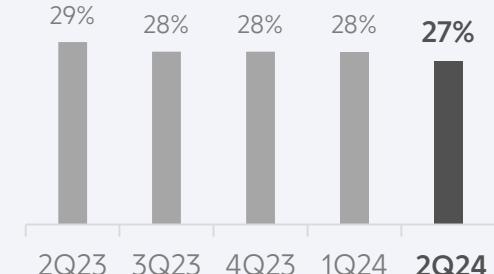
2 » High and stable income also when excl. CPI

NIS million

Change in known CPI in 2Q24
1.6%

Income from regular financing activity excl. CPI

3 » Stabilization in the share of non-interest bearing deposits in recent quarters

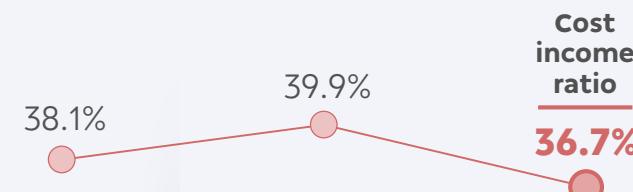
64
NIS million

War-related benefits granted to customers in 2Q24, recorded in income

Continuous cost control leading to strong efficiency ratio

» Total expenses

NIS million



Cost income ratio
36.7%

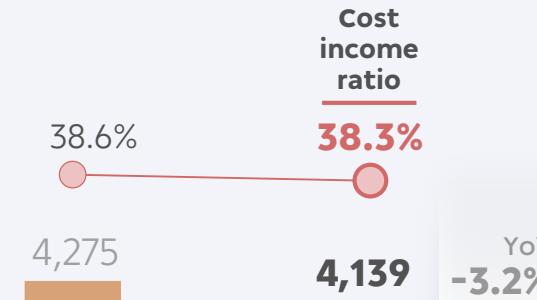
QoQ **3.6%**
YoY **-3.4%**

Total expenses

Other expenses

Maintenance and depreciation

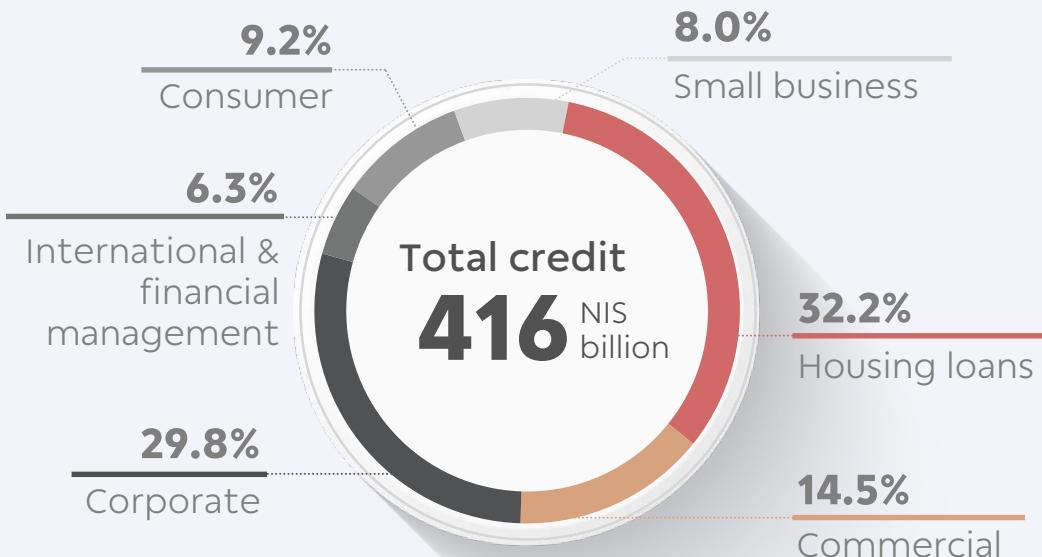
Salary and related expenses



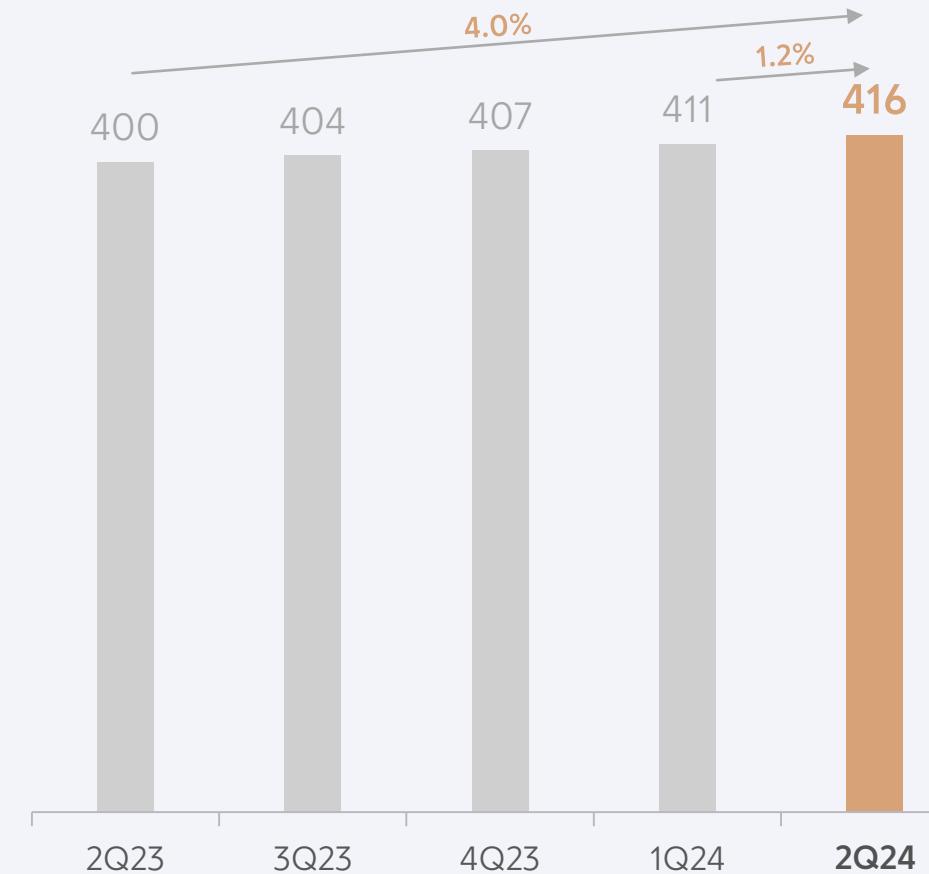
Salary and related expenses in comparable periods in 2023 were impacted by a one-time grant in respect of the collective wage agreement signed in 2023.

Responsible credit growth; pace aligned to the current environment

» Well-diversified credit portfolio

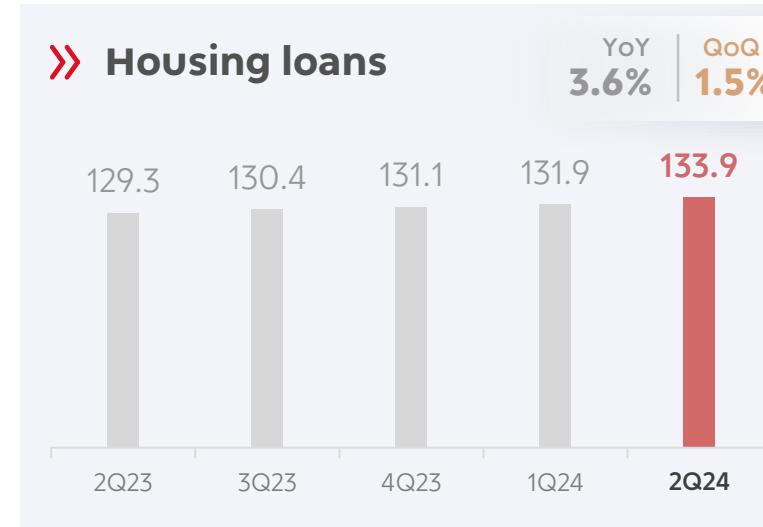
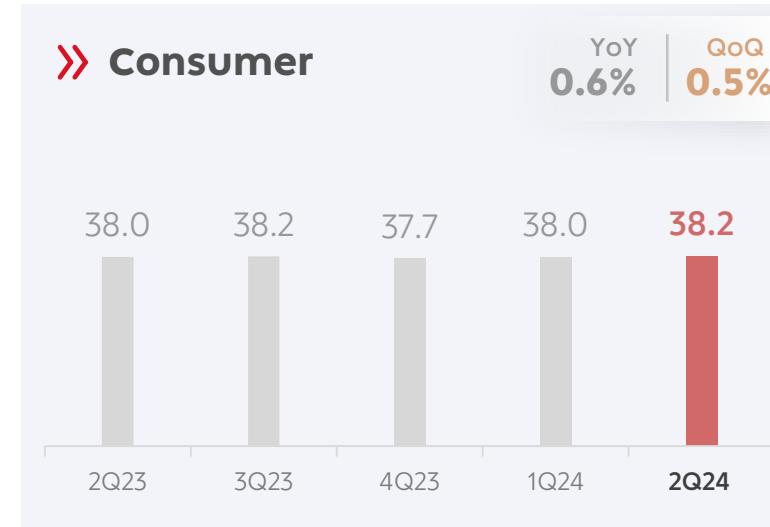
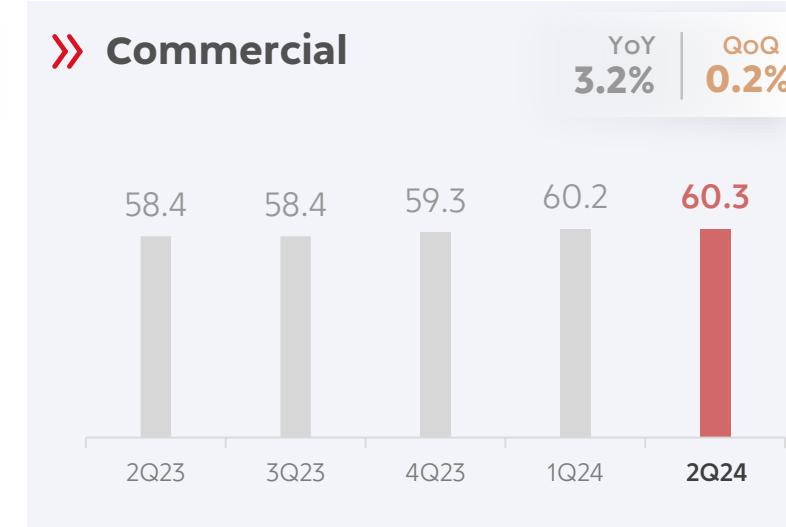
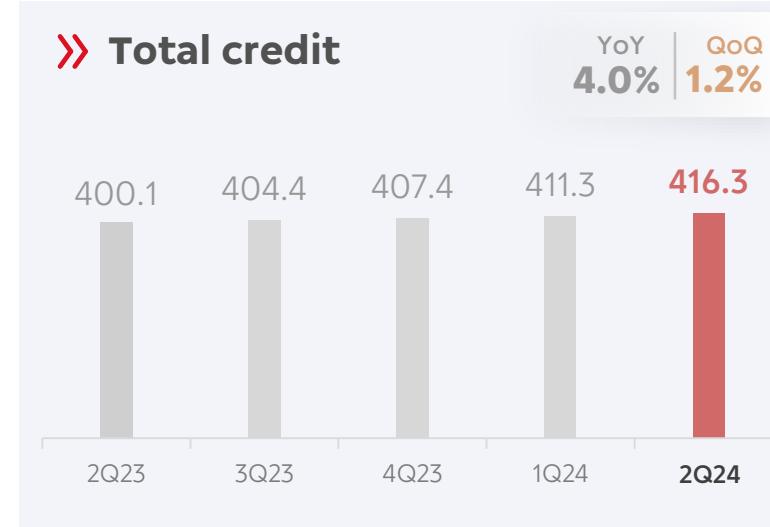


» Credit portfolio NIS billion



Diversified credit growth across segments

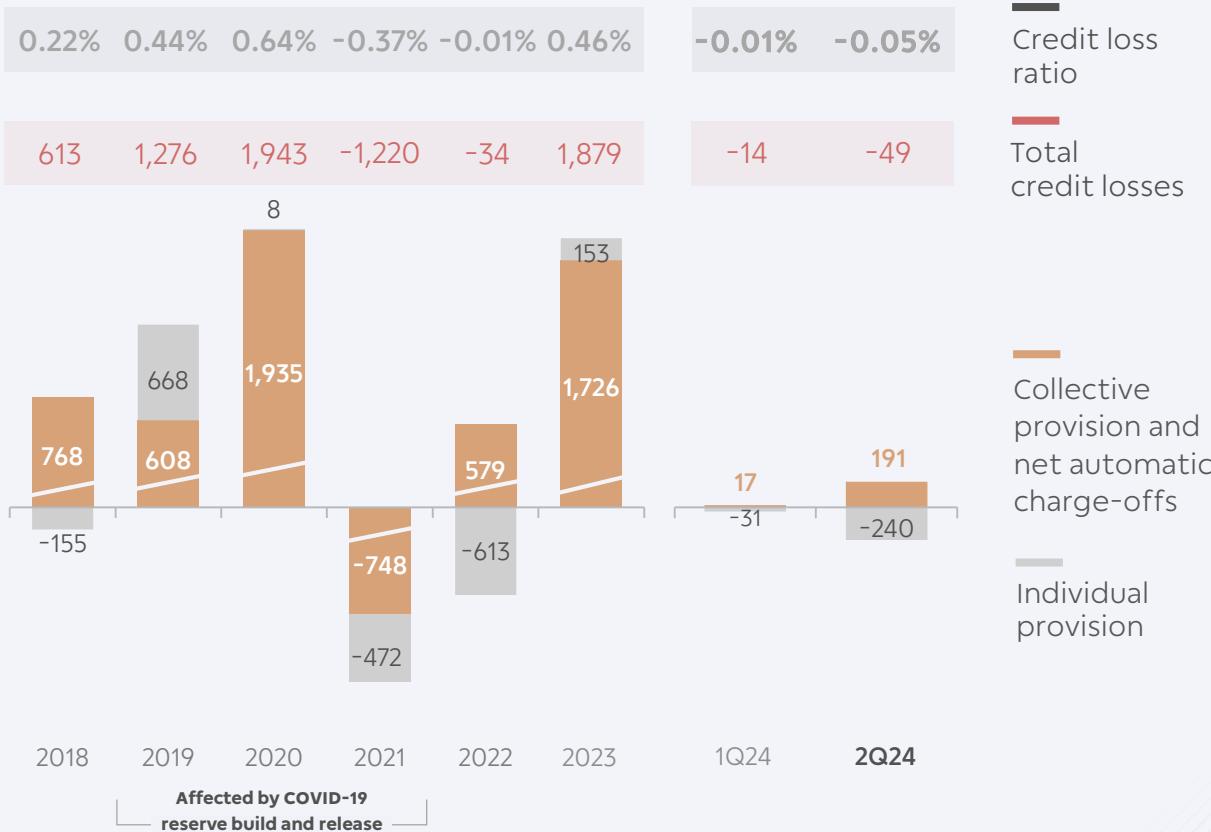
NIS billion



Collective allowance build already in 2023, coupled with individual recoveries led to income from credit losses

» Provision for credit losses

NIS million

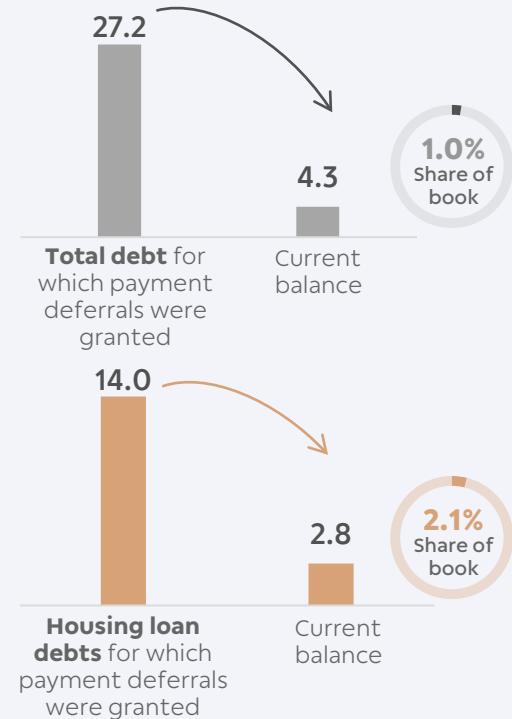


Credit losses in the first half of 2024 amounted to a net income of NIS 63 million.

This resulted from an improvement in the condition of specific borrowers, and a certain improvement in the economic situation and forecasts of specific variables, on the one hand, and assessments of the continuation of the war and the possibility of multiple arenas with an increase in the level of uncertainty, on the other hand.

» Deferrals have ended in 84% of total debts for which payment deferrals were granted

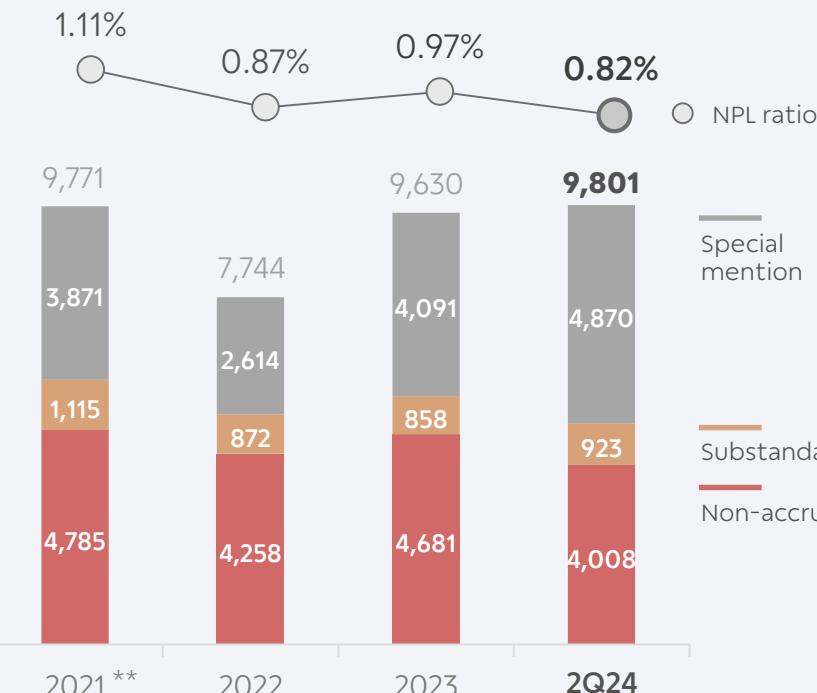
NIS billion



Prudent risk management approach reflected in low NPL and tight underwriting

» Total problematic debt & NPL ratio

NIS million



» High underwriting standards in the real-estate and mortgage sectors*

Only **2%** of land financing with **LTV>80%**

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

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

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

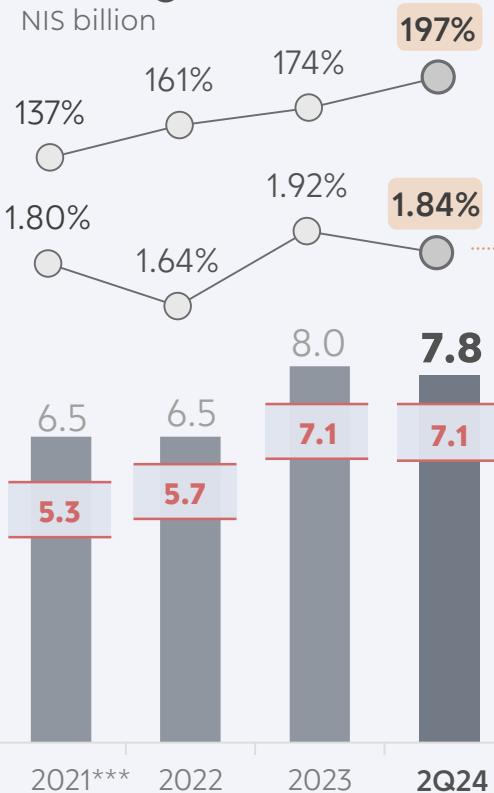
46% Average **LTV** of housing loans

* For full disclosure regarding credit risk in the real-estate sector at the Corporate Banking Division in Israel, by financing rate (LTV) and absorption capacity, refer to table 3-7 in the quarterly report.

** Proforma data.

While the quality of the credit book is high, we have built significant reserves, to serve both positive and negative economic scenarios

» Allowance balance & NPL coverage ratio



» Liquidity

134%

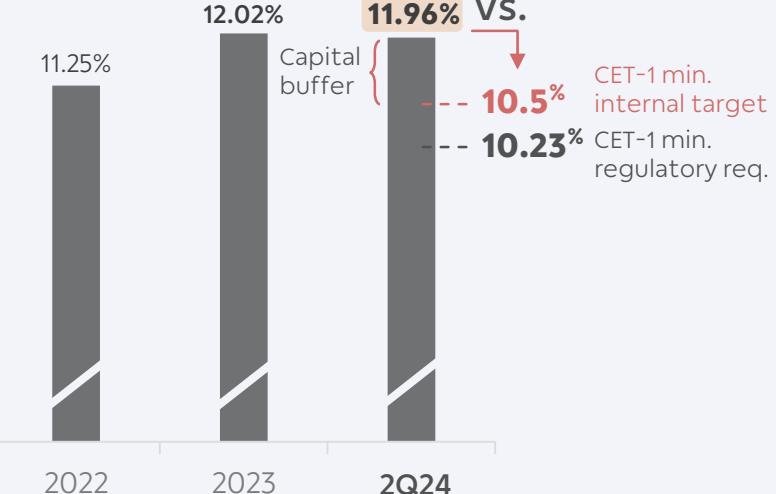
LCR

127%

NSFR

Above regulatory requirement of 100%

» CET-1 capital ratio

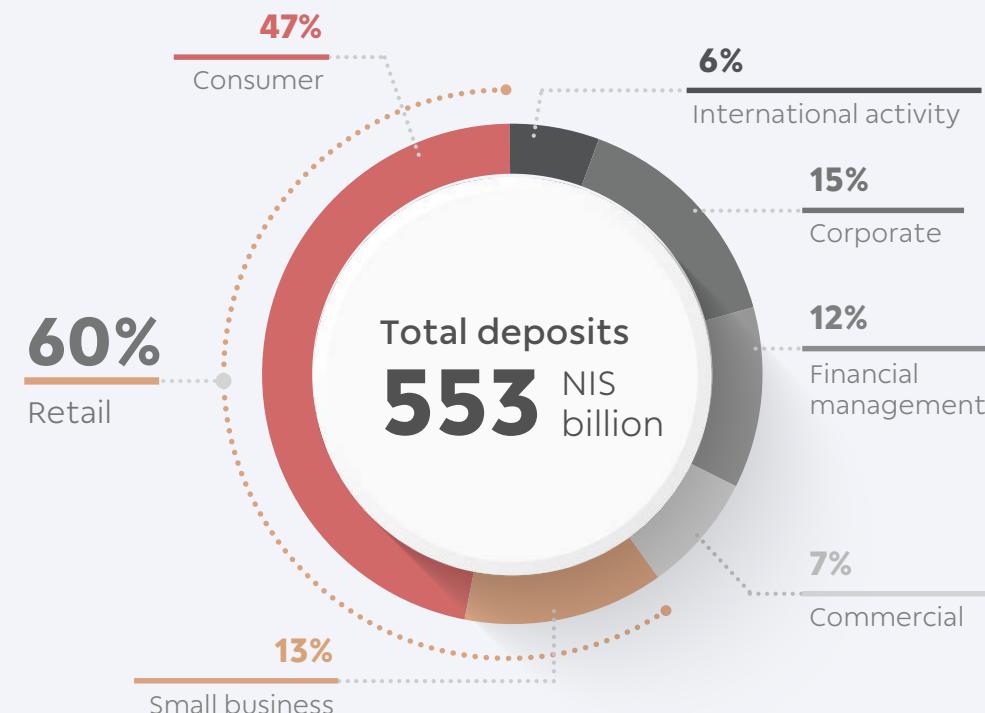


The gap between the current CET-1 ratio and the minimum internal target, reflects a NIS 6.8 billion capital surplus, to serve various future scenarios of growth, further potential capital distribution, buffer for negative scenarios, etc.

* Balance sheet allowance for credit losses to NPL. ** Allowance in respect of loans, including off-balance sheet items, of total loans. *** Proforma data. The proforma allowance for credit losses includes the effect of the initial implementation of CECL.

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

» Deposit base

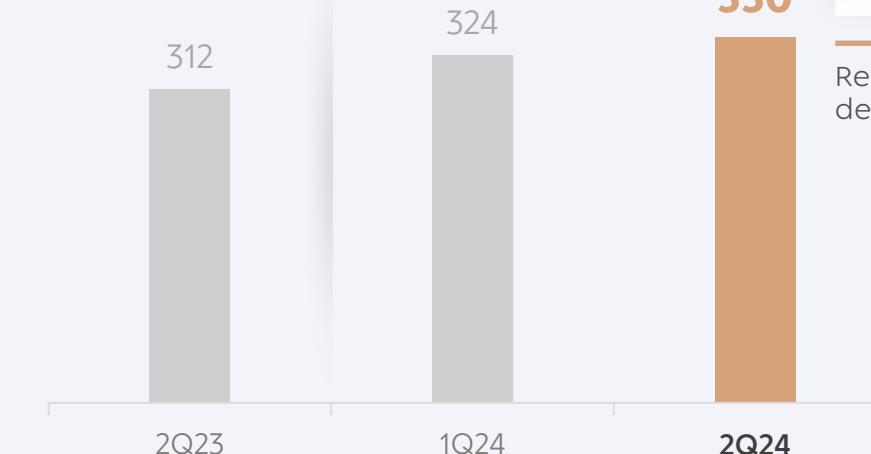


» Retail deposits continue to grow, strengthening our liquidity position

NIS billion

QoQ
1.8%
YoY
5.7%

Retail deposits



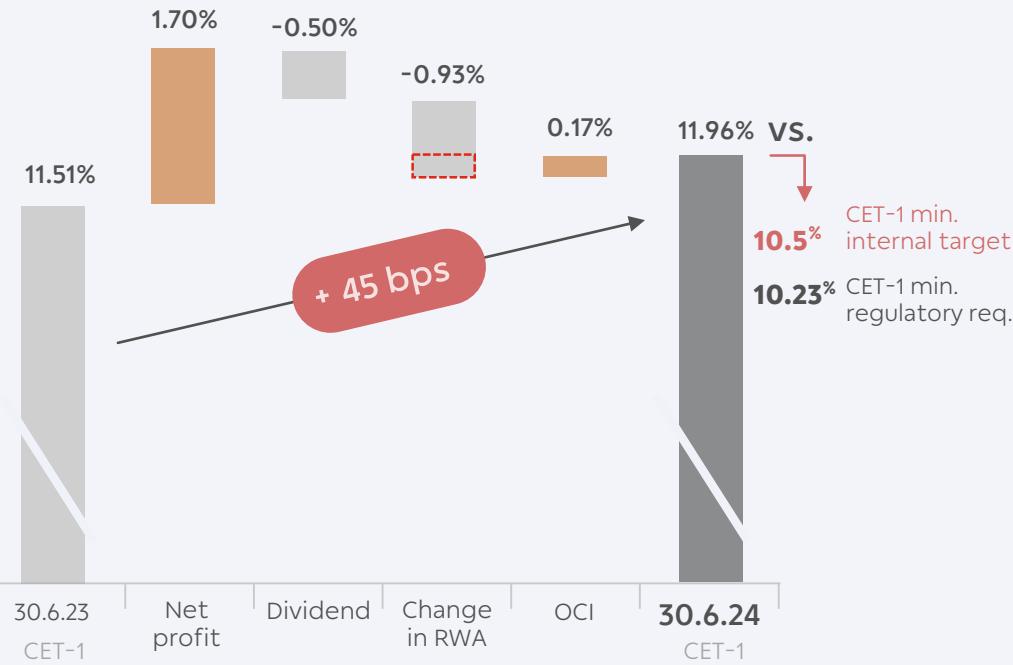
75% LDR

60%

Retail deposits
of total deposits

Continuous organic capital growth leading to high capital ratios

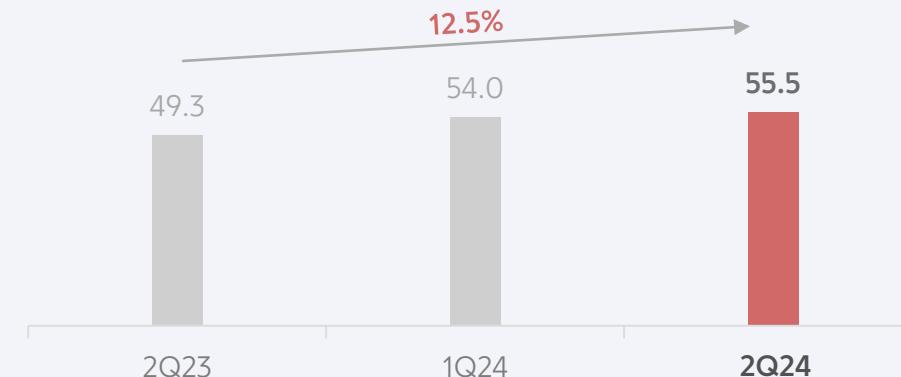
» CET-1 capital ratio



 Impact of S&P sovereign rating downgrade on CET-1 ratio
(0.25% at the date of the downgrade)

» Strong growth in shareholders' equity

NIS billion



Total capital ratio
vs. min. regulatory req. of 13.5%

14.90%

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

7.25%

* Relief valid until December 31, 2025. The minimum regulatory requirement pre-relief is 6%. For additional information regarding capital requirements, refer to note 9 in the 2Q24 report.

High shareholder return through dividend distribution and share buyback

» Buyback plan launched

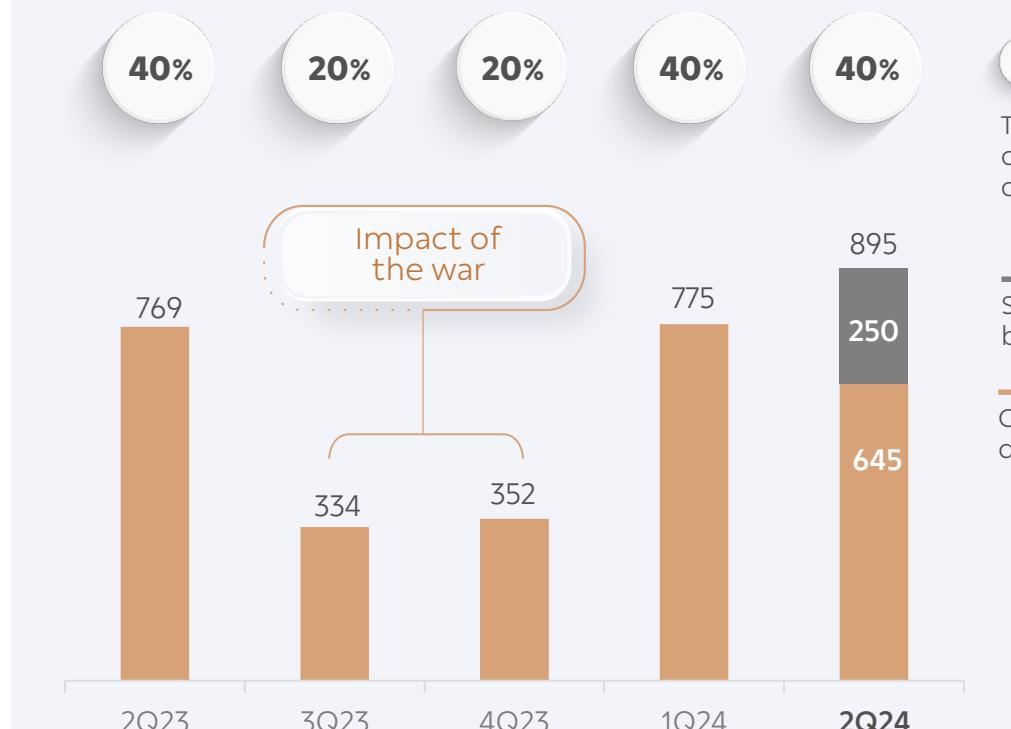
Up to NIS 1 billion

To be executed in the coming year

Execution in four separate stages (each of which, if decided to be executed and approved by the board of directors, will be irrevocable, at the amount of up to NIS 250 million)

In approving the plan, the board of directors took into account the bank's robust financial position of capital surplus versus requirements, the BOI guidance in respect of capital distribution, market conditions, and investor preferences regarding capital distribution and buyback.

» Capital distribution, NIS million in respect of the last five quarters' profits



* The share buyback plan is subject to various terms, as detailed in the bank's immediate report regarding the approval of the buyback plan, dated August 14, 2024. For additional information regarding capital requirements, refer to note 9 in the 2Q24 report.

2Q24 key takeaways

1

Consistently delivering high double-digit ROE; cost-income ratio at 36.7%.

2

The economy is demonstrating impressive strength despite the ongoing war; however the fiscal position has deteriorated and markets await a policy response.

3

Diversified credit growth while provisions maintained relatively low and **NPL ratio is improving.**

4

Sustained capital, liquidity and credit loss allowance buffers, to serve both a positive scenario in case of an economic rebound and a negative scenario of deterioration.

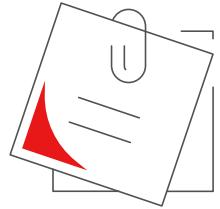
5

Launched share buyback plan of up to NIS 1 billion. Alongside the ongoing dividend distribution, total capital to be distributed amounts to 40% of 2Q24 net profit*.

6

The board of directors resolved, to **appoint Yadin Antebi as the next CEO** of the bank. Antebi replaces **Dov Kotler**, who announced his departure after five years as CEO. Antebi will **take office on August 15, 2024.**

*The share buyback plan is subject to various terms, as detailed in the bank's immediate report regarding the approval of the buyback plan, dated August 14, 2024.



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2Q24 Quarterly Financial Review

Appendix

Key balance sheet items NIS million

| | 2Q23 | 1Q24 | 2Q24 |
|--------------------------------------|----------------|----------------|----------------|
| Cash on hand and deposits with banks | 97,082 | 97,901 | 107,821 |
| Securities | 132,301 | 119,486 | 123,948 |
| Net credit to the public | 400,136 | 411,286 | 416,297 |
| Deposits from the public | 529,703 | 539,902 | 552,612 |
| Deposits from banks | 10,793 | 13,011 | 11,371 |
| Bonds and subordinated notes | 24,804 | 20,775 | 19,535 |
| Shareholders' equity | 49,342 | 54,048 | 55,506 |
| Total balance sheet | 668,784 | 665,893 | 685,140 |

Note: For a full balance sheet analysis, please refer to the bank's financial statements for 2Q24.

Key profit and loss items NIS million

| | 2Q23 | 1Q24 | 2Q24 |
|---|----------------|----------------|----------------|
| Total net financing profit | 4,709 | 4,086 | 4,706 |
| Fees and other income | 1,016 | 1,004 | 1,026 |
| Total income | 5,725 | 5,090 | 5,732 |
| Wages | (1,171) | (1,099) | (1,129) |
| Maintenance and depreciation of buildings and equipment | (443) | (391) | (363) |
| Other expenses | (567) | (543) | (614) |
| Total operating and other expenses | (2,181) | (2,033) | (2,106) |
| Provision for credit losses | (579) | 14 | 49 |
| Profit before taxes | 2,965 | 3,071 | 3,675 |
| Provision for taxes on profit | (1,056) | (1,157) | (1,402) |
| Net profit | 1,922 | 1,938 | 2,238 |
| ROE | 15.8% | 14.6% | 16.4% |

Note: For a full profit and loss analysis, please refer to the bank's financial statements for 2Q24.

2Q
24



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Israel's leading
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