

Bank Hapoalim

3Q24 Quarterly Financial Review



Disclaimer

This presentation includes condensed information and selected data from Bank Hapoalim's 3Q24 financial results.

This presentation is not a substitute for the Bank's 3Q24 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.

3Q24 key messages

Strong and stable profitability		Significant and responsible growth		Best-in-class capital and liquidity	
ROE	Cost-income ratio	Credit	NPL	CET-1 ratio	Profit distribution
13.6% 3Q24	36.6%	+3.4% QoQ	0.71% NPL ratio	11.90%	40%
14.9% 9M24		+6.4% YoY	224% NPL coverage ratio	LCR	
				132%	

Profitability

- The 11th consecutive quarter of solid double-digit ROE, 3Q24 net profit of NIS 1.9 billion.
- Continuous high income level supported by high CPI and growth in activity, mitigated by bond realizations; cost-income ratio of 36.6%.
- Continued built of collective allowance to reflect the continuation and expansion of the war, and possible effects of the war on the real-estate sector.

Balance sheet

- Strong credit growth across all segment of operations, while NPL ratio improved.
- Sticky deposit base (58% retail); LDR of 76%.
- High level of buffers – capital and liquidity surplus substantially above targets, and credit loss allowance buffer at 1.81% of total credit.

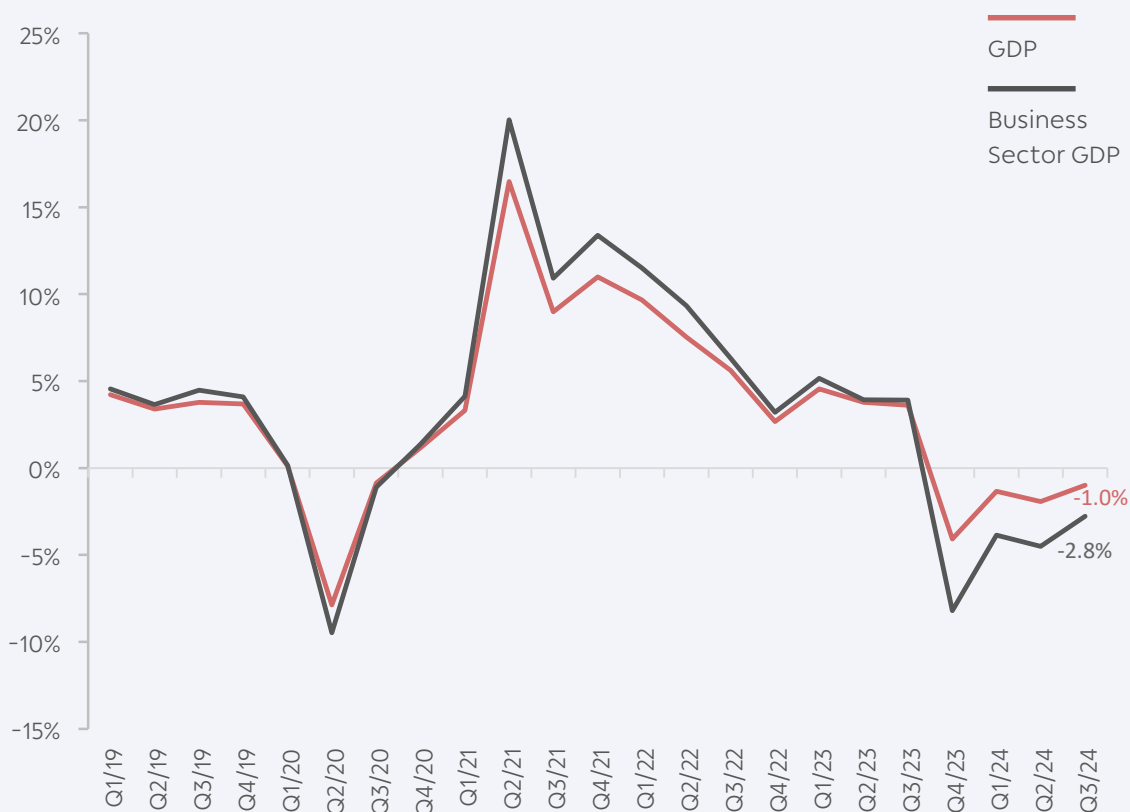
Capital and distribution

- Strong organic capital generation.
- Significant capital surplus over the minimum internal CET-1 capital target.
- Total distribution of 40% of 3Q net profit – NIS 512 million cash dividend + NIS 250 share buyback.

The economy is functioning, though not at full capacity

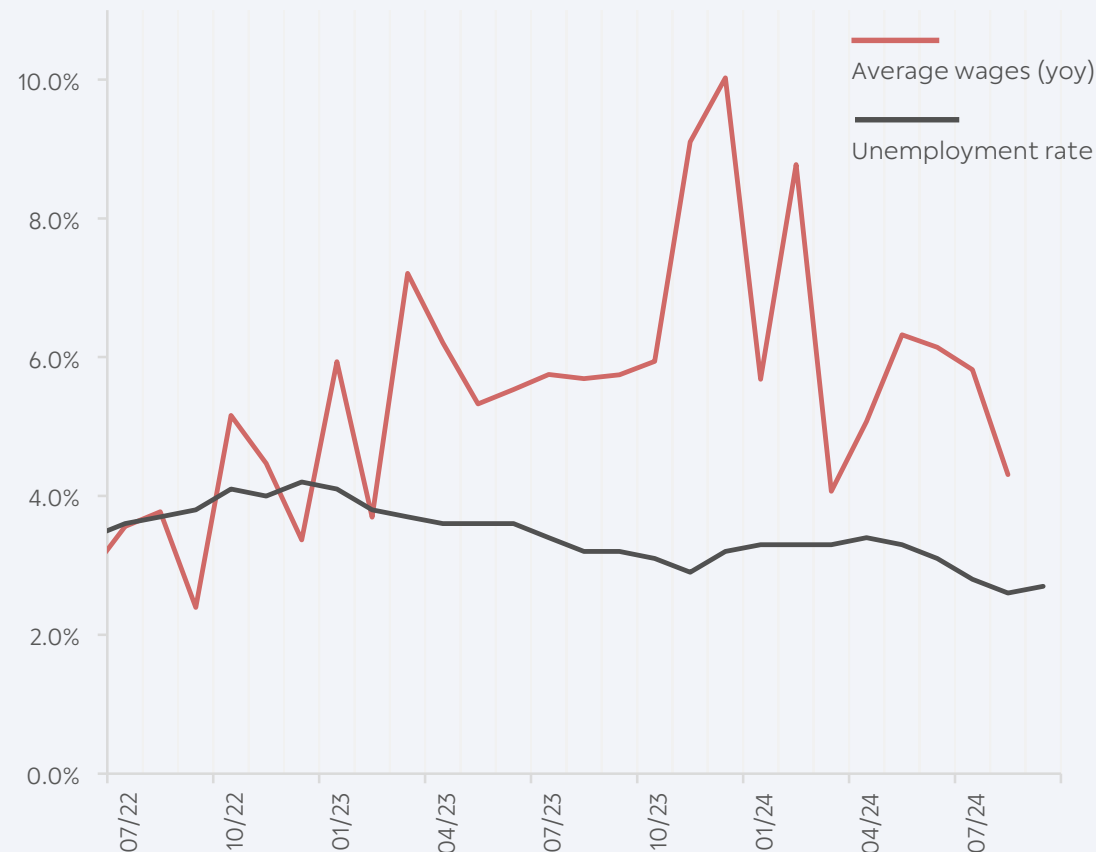
Supply-side constraints slow growth

YOY rate of change



Source: CBS

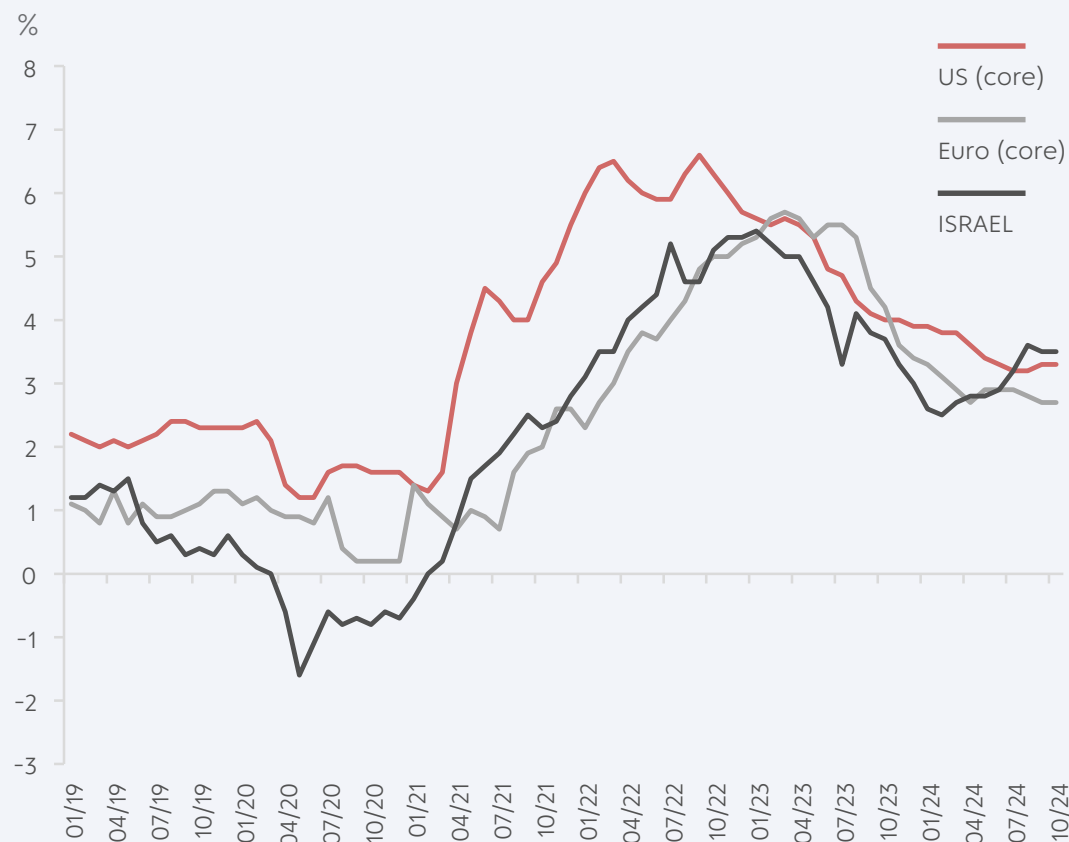
Tight labor market is here to stay



Source: CBS

Inflation moving in opposite direction to global trends; risk premiums have decreased

Year-on-year change in CPI



Source: CBS, Bloomberg

10-year government bond yields, local currency

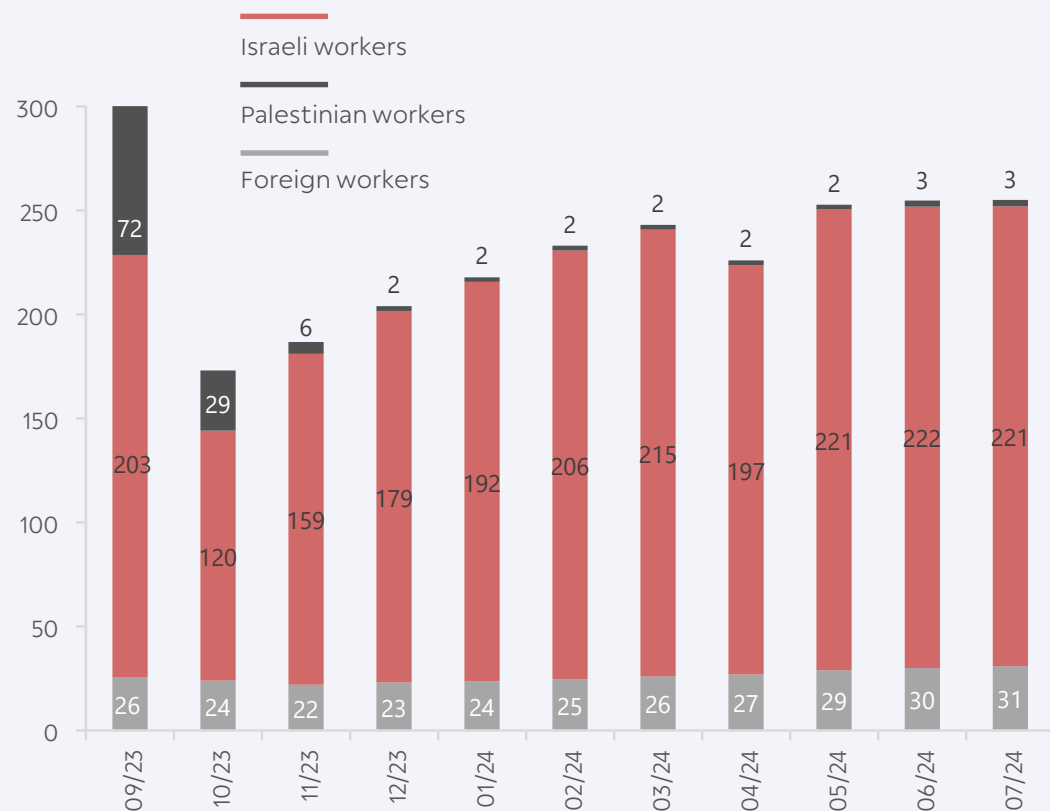


Source: Bloomberg

Housing market: demand has stabilized at a high level, while a shortage of workers is delaying housing completions

Jobs in the construction industry

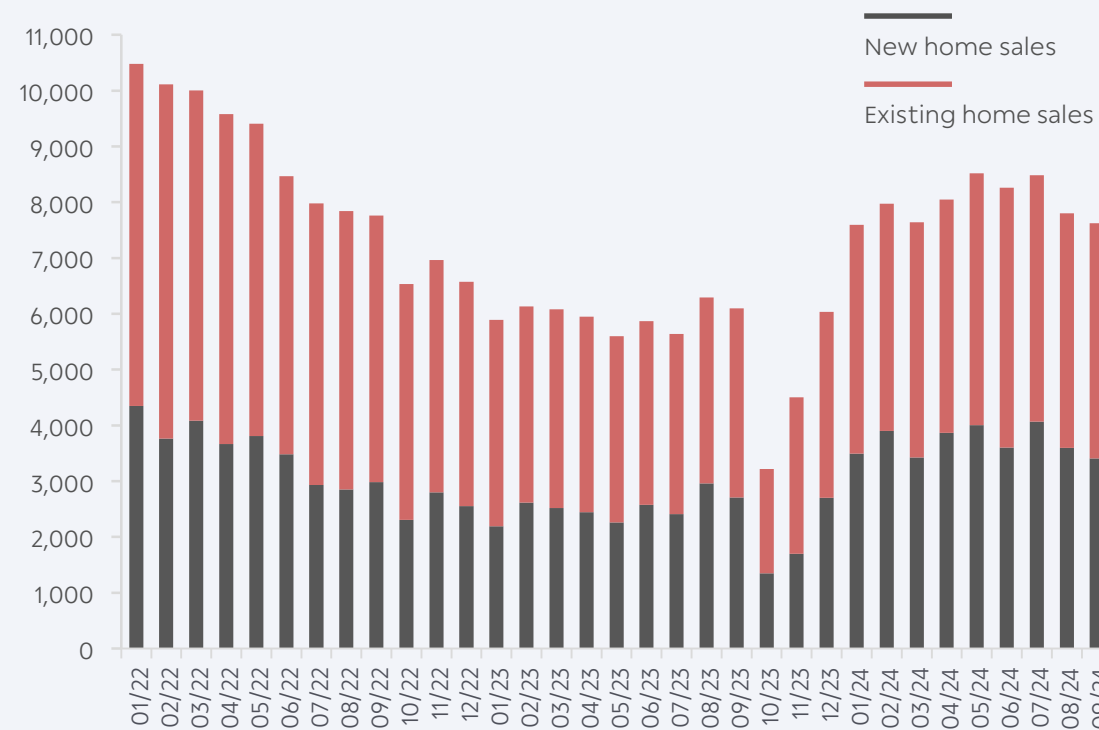
Thousands



Source: BOI

Home sales

Units per month

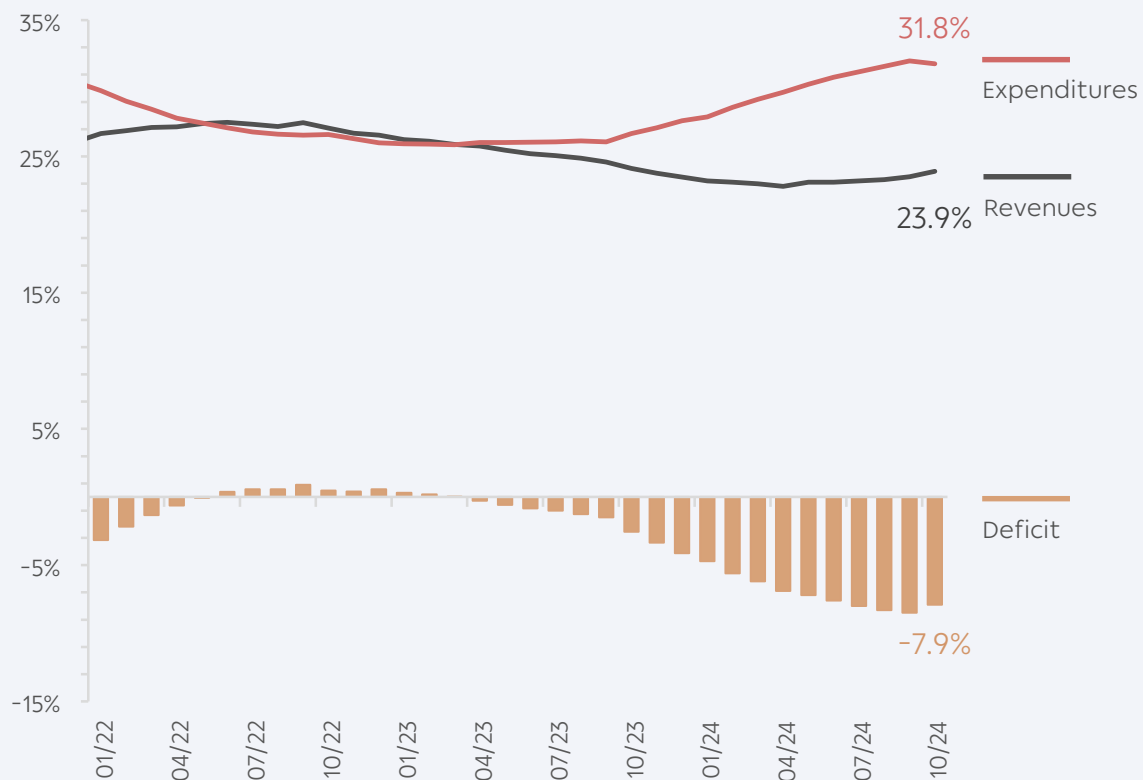


Source: CBS

The fiscal position has weakened; markets do not anticipate a rate cut in the near future

Government balance, 12-month trailing sum

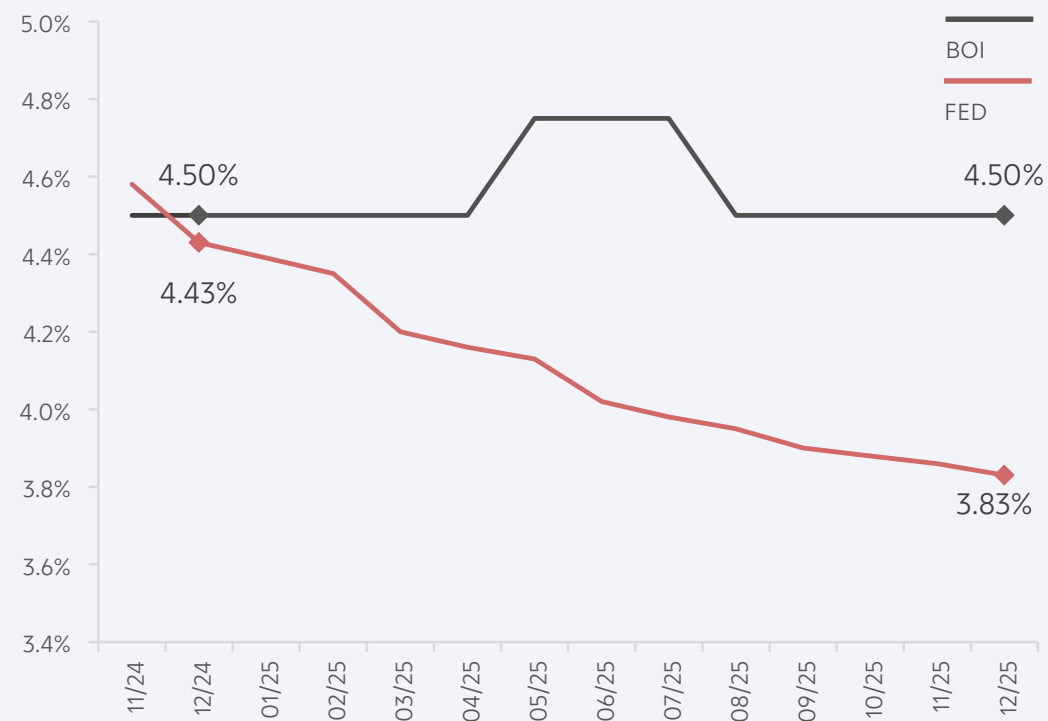
% of GDP



Source: MOF

Implied interest rate

(as of November 14, 2024)

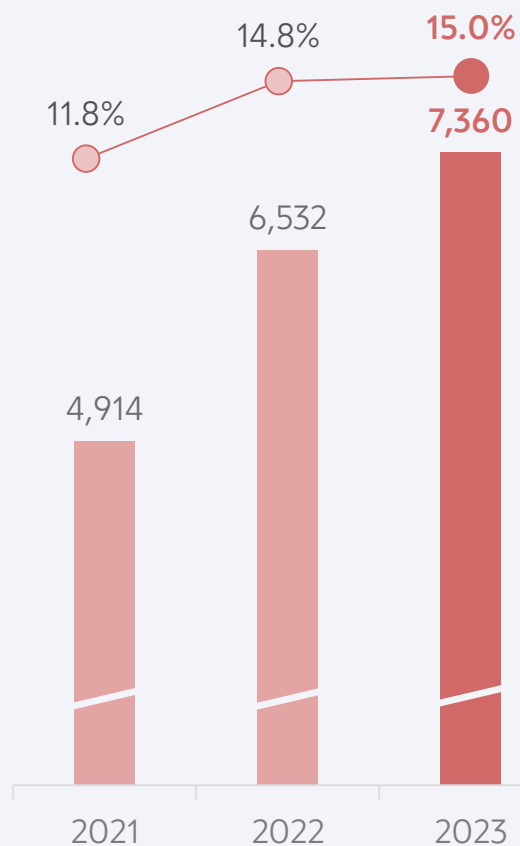


Source: Bloomberg

Consistently delivering mid-double-digit ROE

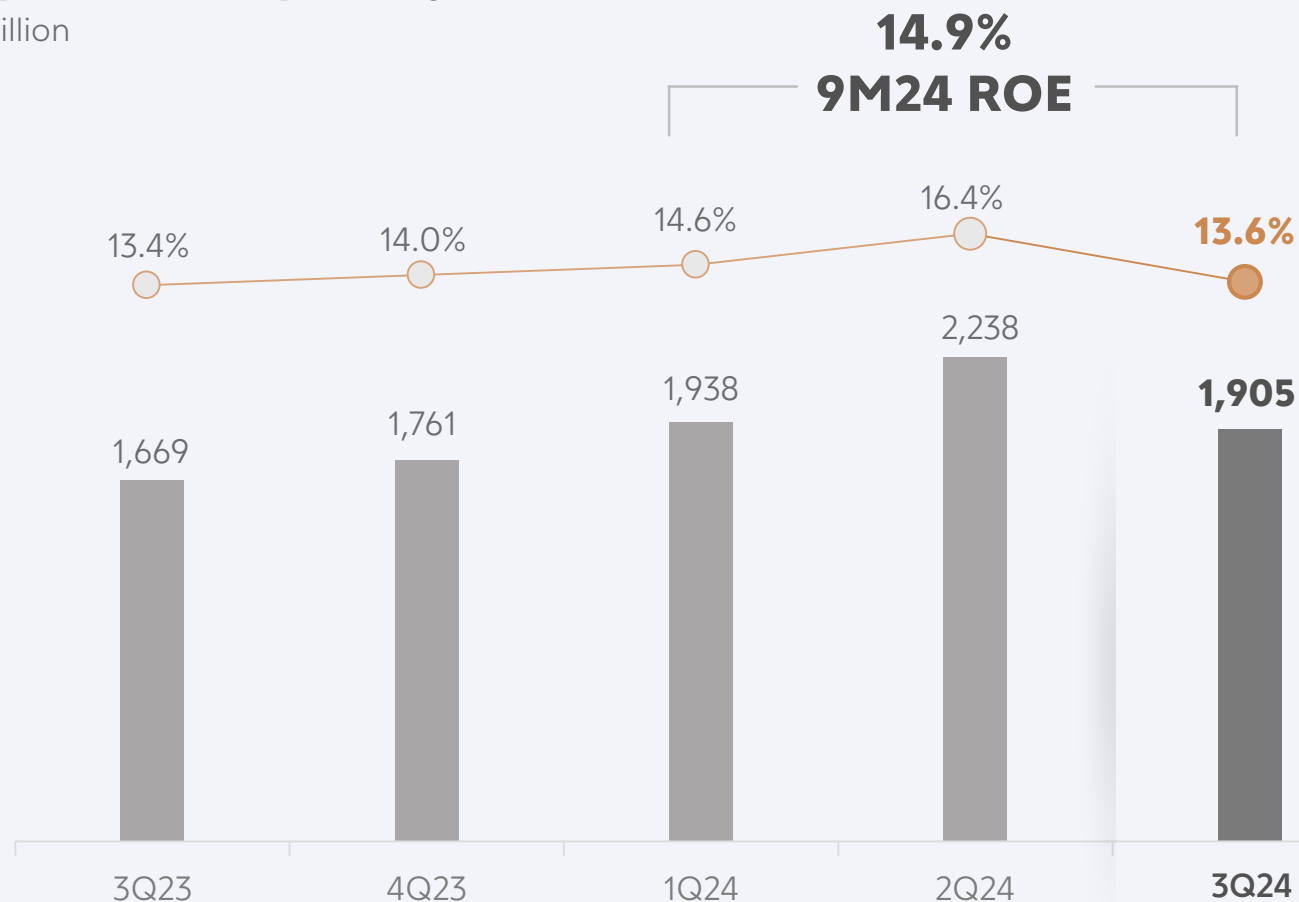
Net profit & ROE, annual

NIS million



Net profit & ROE, quarterly

NIS million

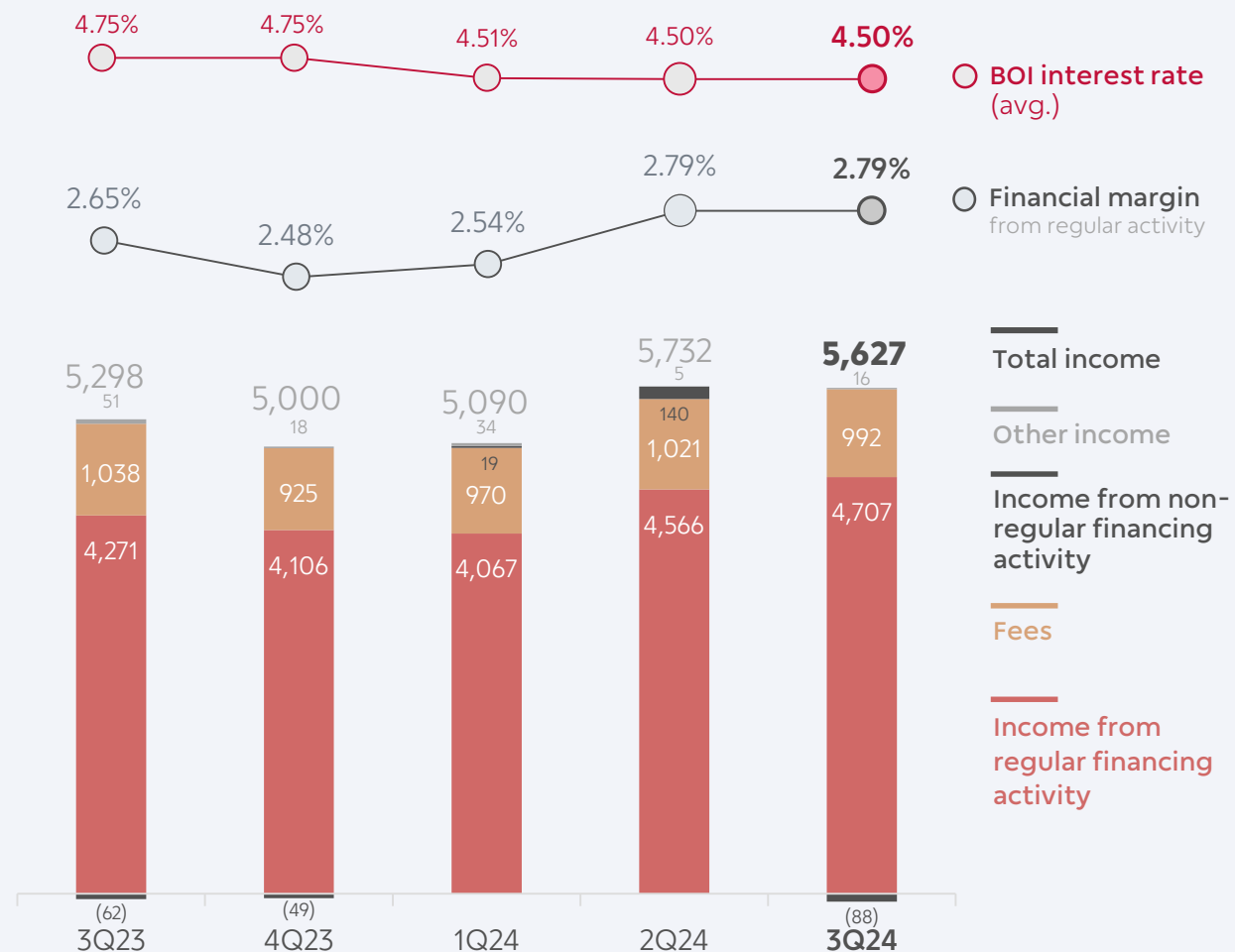


Note: Excluding special items, net profit for 2021 totaled NIS 4,957 million (ROE of 11.9%).

Strong income in the quarter, even excluding CPI contribution

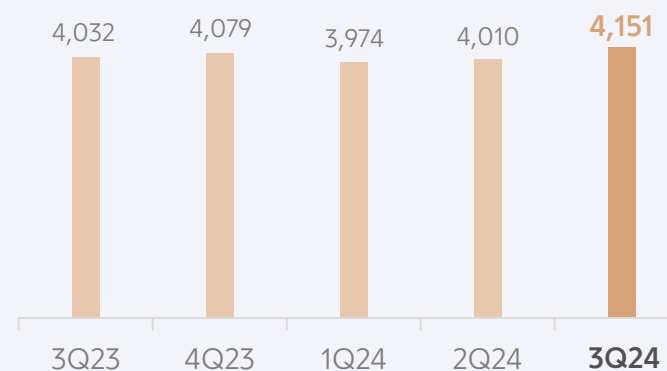
Total income

NIS million



High and stable income also when excl. CPI

NIS million

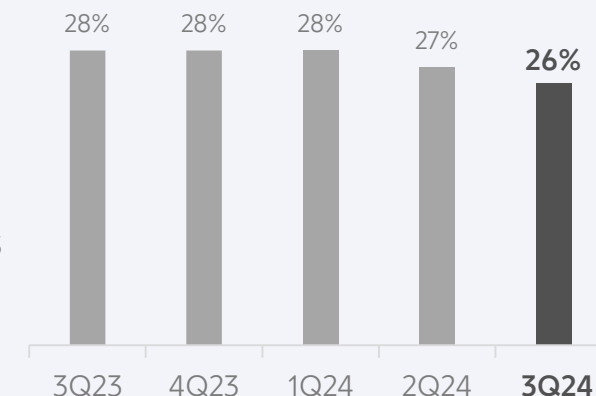


Change in known CPI in 3Q24

1.6%

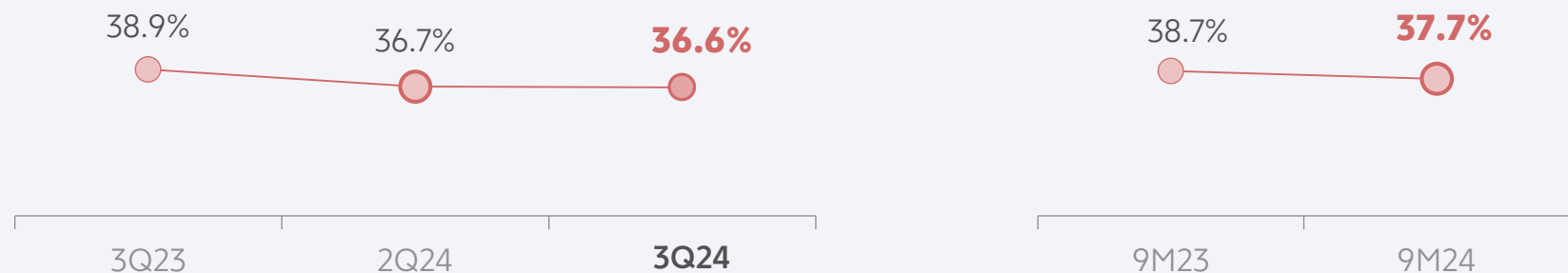
Income from regular financing activity excl. CPI

Slight decrease in the share of non-interest bearing deposits



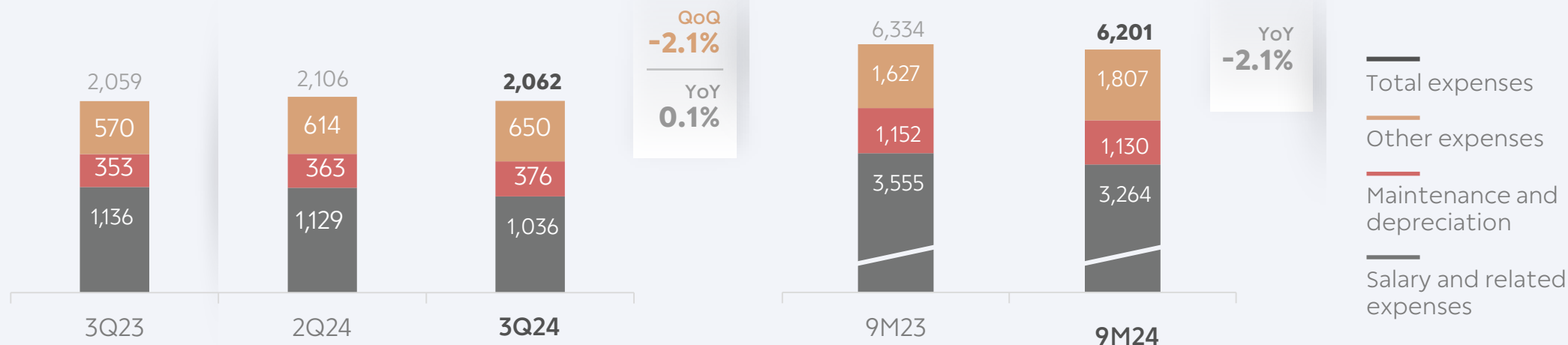
Continuous cost control leading to strong efficiency ratio

Cost-income ratio



Total expenses

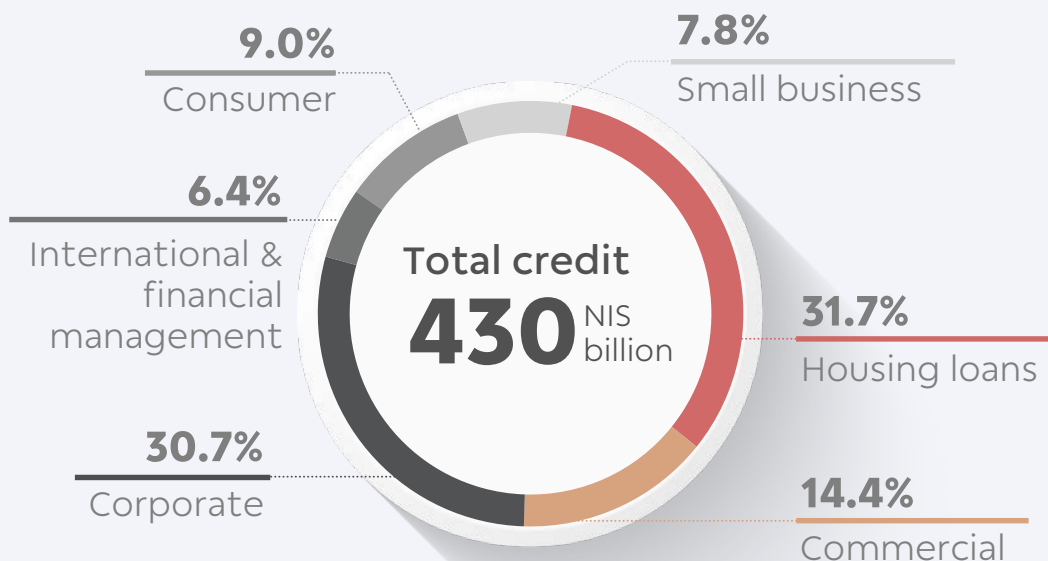
NIS million



Salary and related expenses in the first half of 2023 were impacted by a one-time grant in respect of the collective wage agreement signed in July 2023. In addition, salary and related expenses in the last 9 months, were influenced by a decrease in performance-based bonuses and a slight decrease in salary expenses, vs. the same period last year.

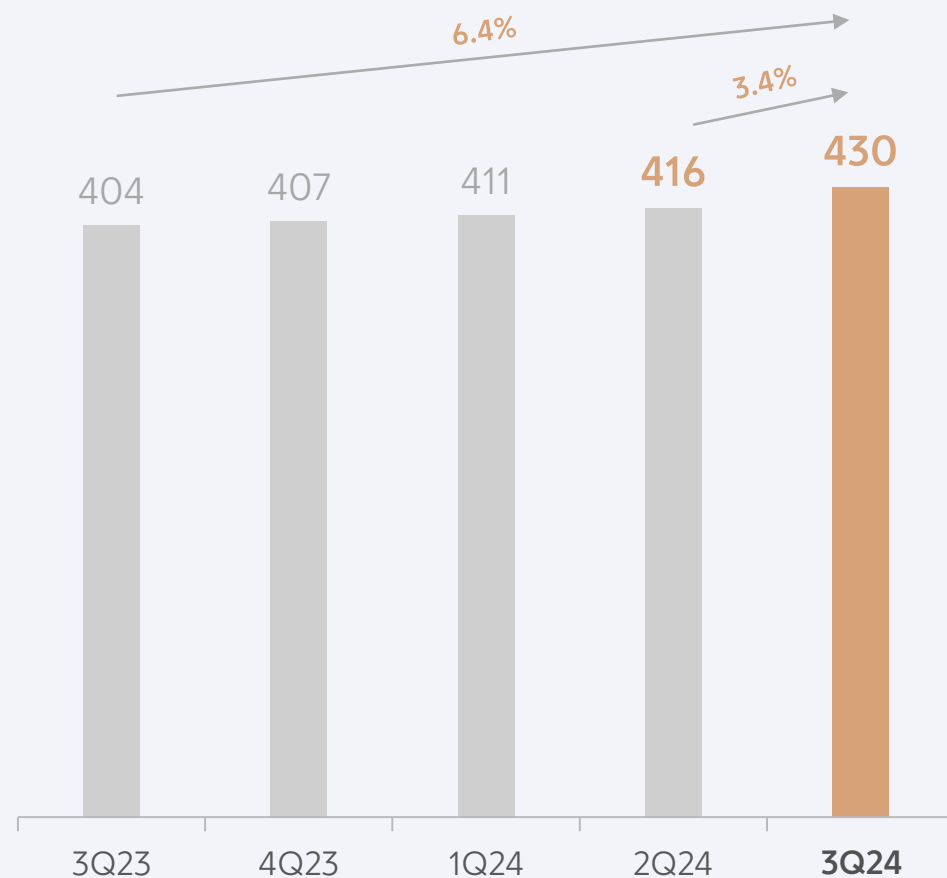
Strong growth in credit in the quarter as suppressed demand released

Well-diversified credit portfolio

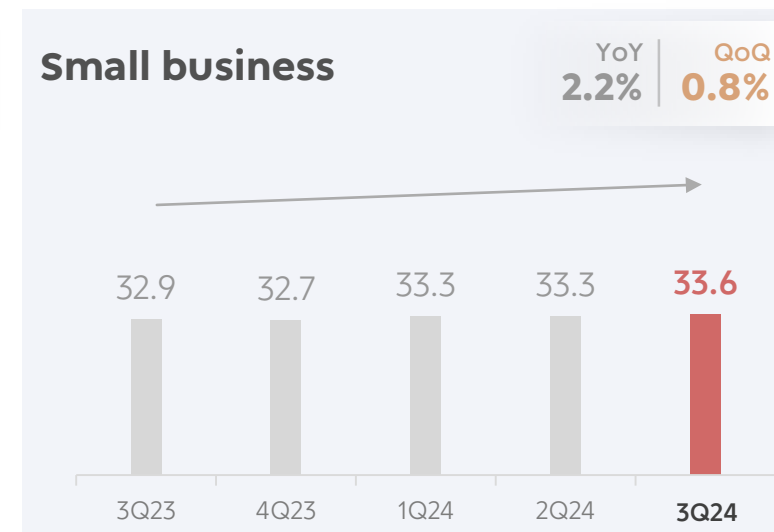
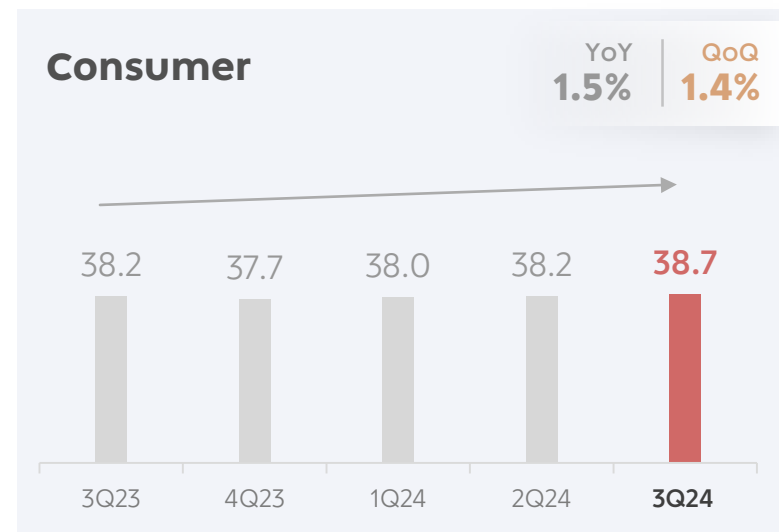
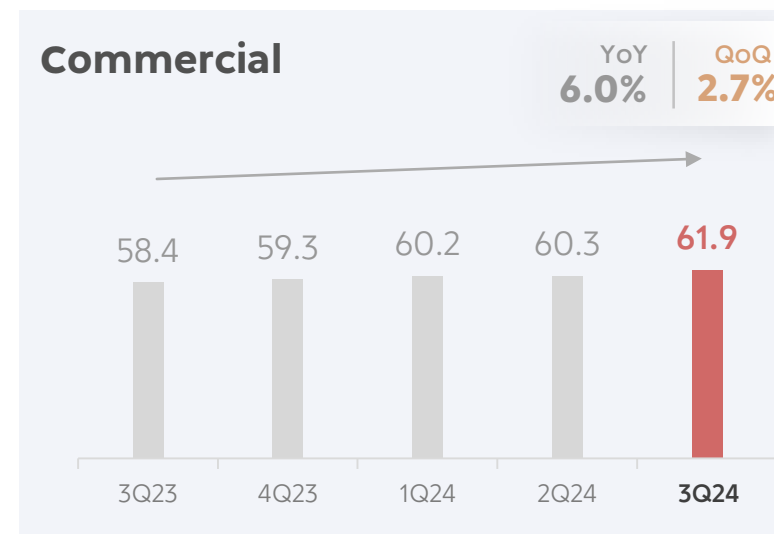
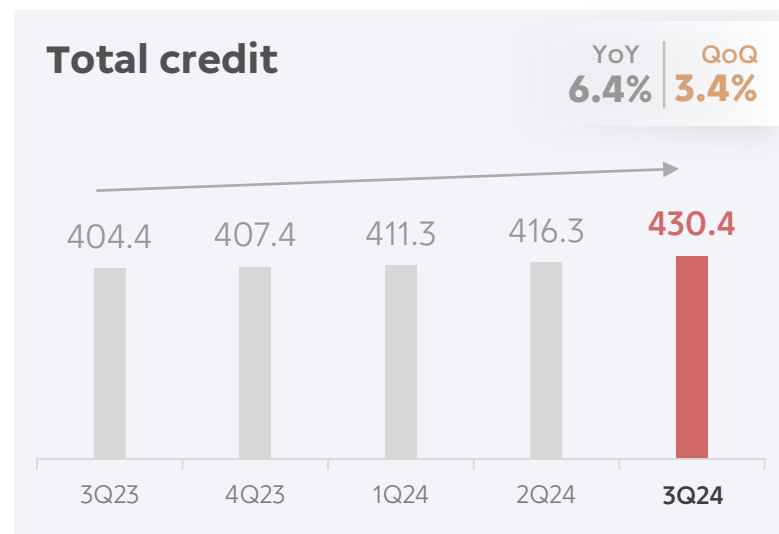


Credit portfolio

NIS billion



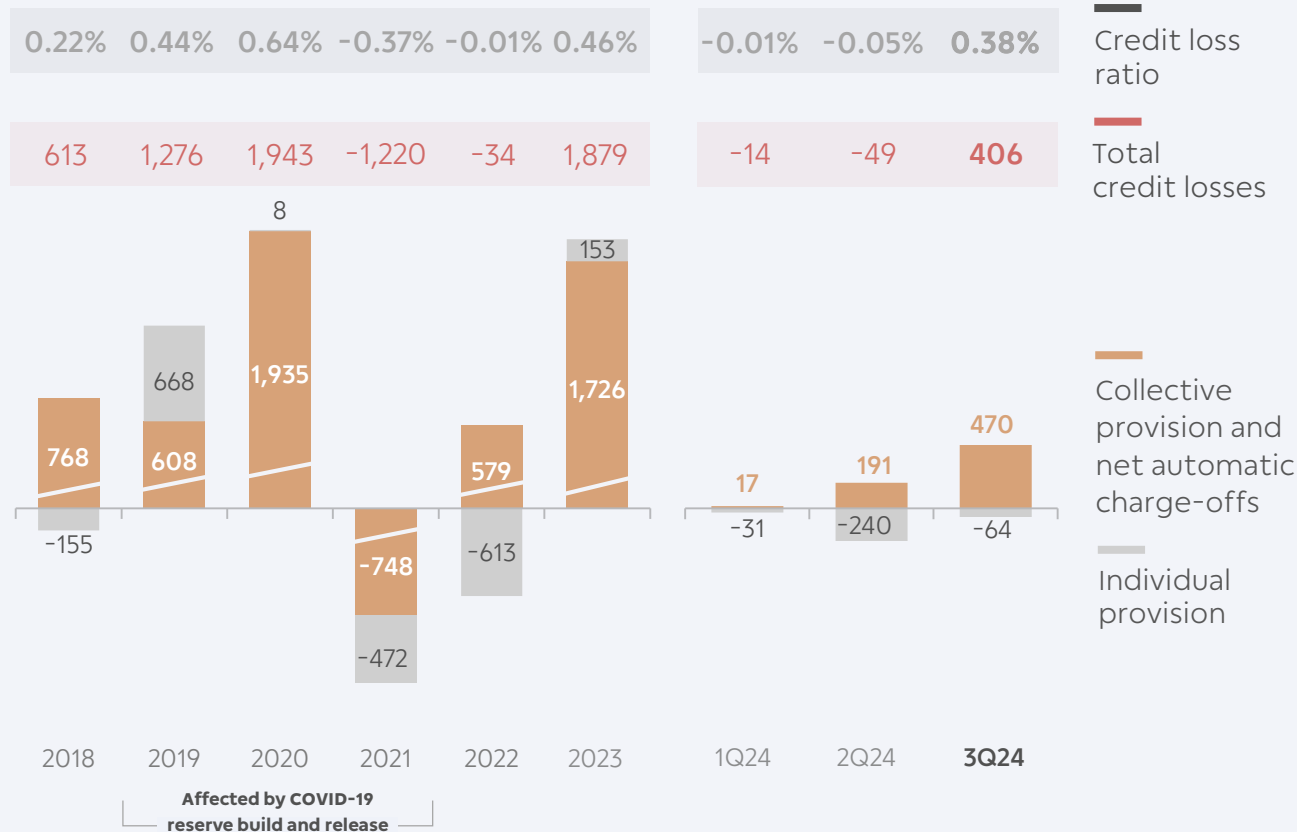
Credit growth attributed to all segments of operations NIS billion



Further build of collective allowance to reflect the continuation of the war; the trend of income from individual allowance continues

Provision for credit losses

NIS million



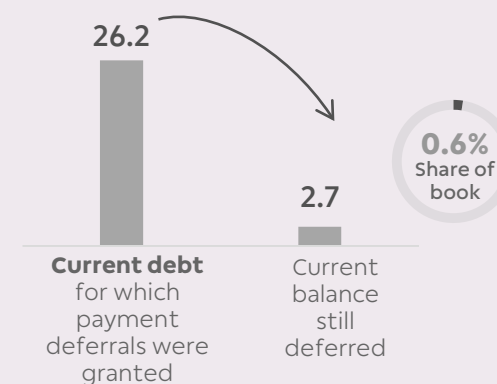
Credit losses in the third quarter amounted to NIS 406 million.

This resulted from an increase in the collective allowance, due to the continuation and expansion of the war, as well as possible effects of the war on the real-estate sector.

Alongside that, the trend of income from individual allowance continued, as a result of recoveries from a small number of borrowers.

Small portion of credit with modified terms due to the war is still in deferral

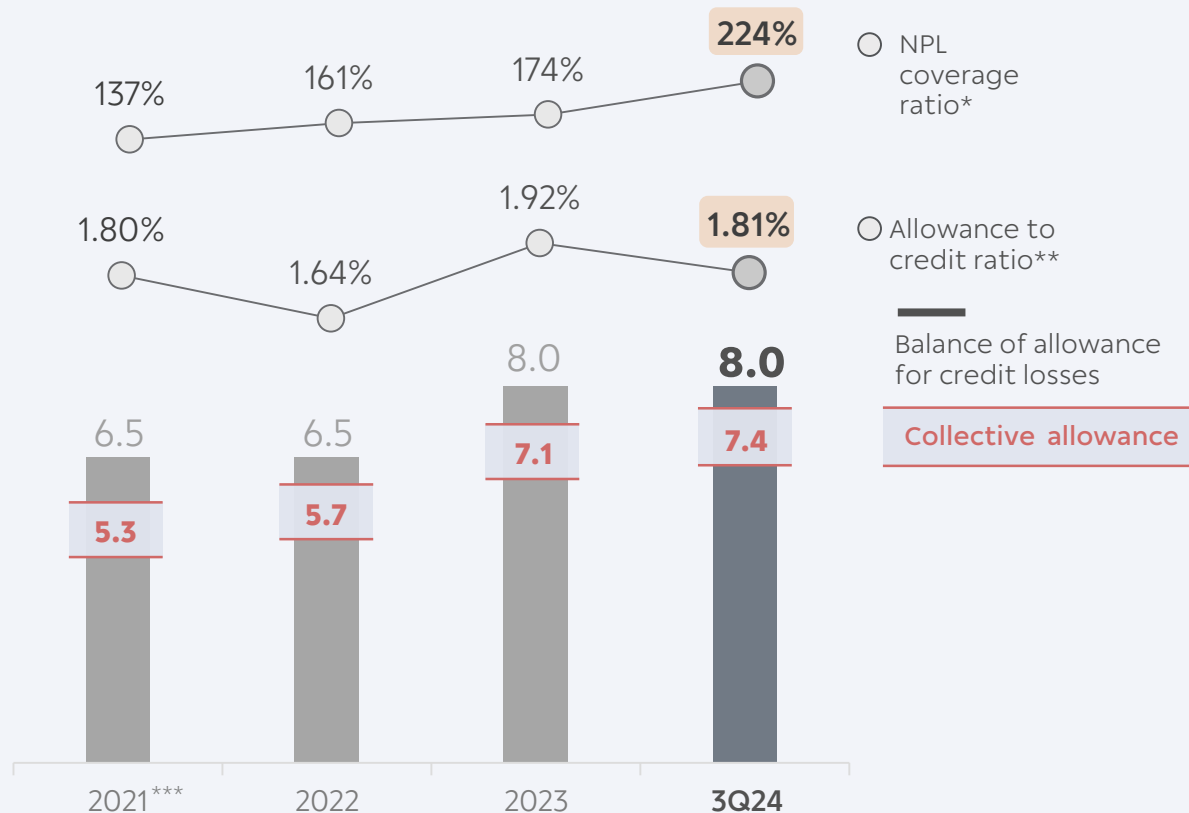
NIS billion



NPLs are low and improving, credit-loss allowance is more than double the NPL balance

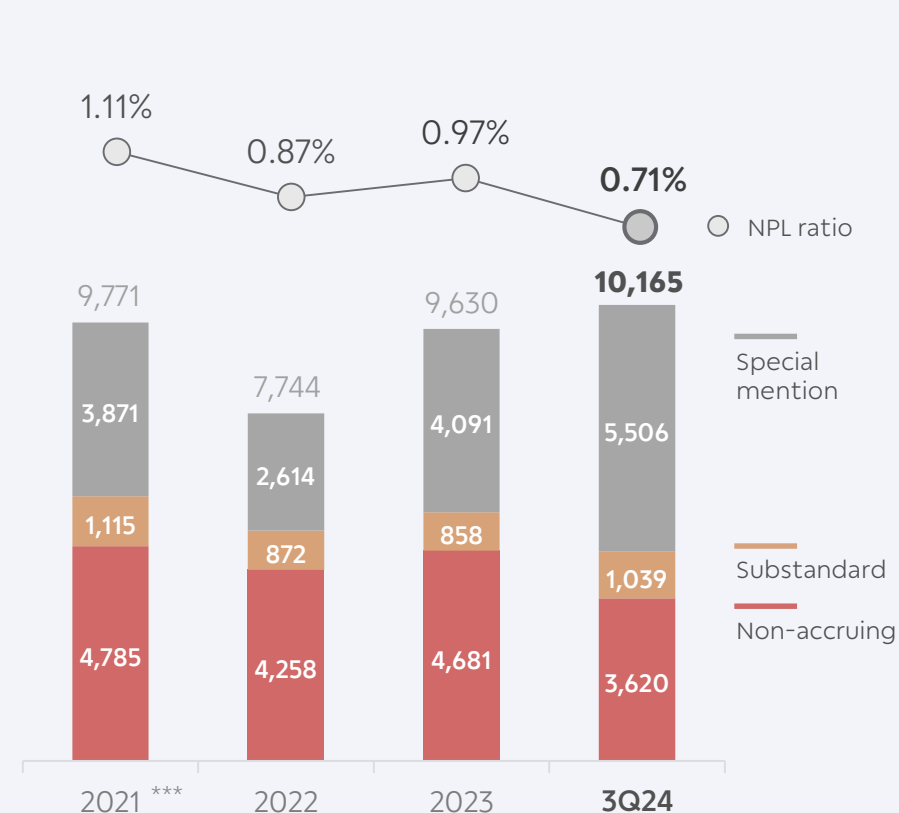
Allowance balance & NPL coverage ratio

NIS billion



Total problematic debt & NPL ratio

NIS million



* Balance sheet allowance for credit losses to NPL.

** Allowance in respect of loans, including off-balance sheet items, of total loans.

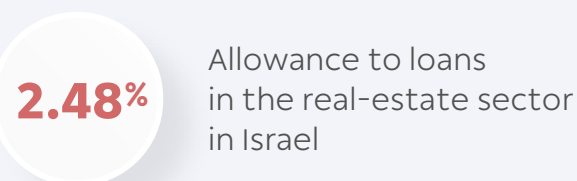
*** Proforma data. The proforma allowance for credit losses includes the effect of the initial implementation of CECL.

High quality real-estate book focused on housing construction, characterized by good underwriting parameters and high allowance buffer

Focus on customers whose main sector of activity is housing construction*



Sound buffers for any development



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

Only **4%** of land financing with **LTV>80%**

Only **1%** 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

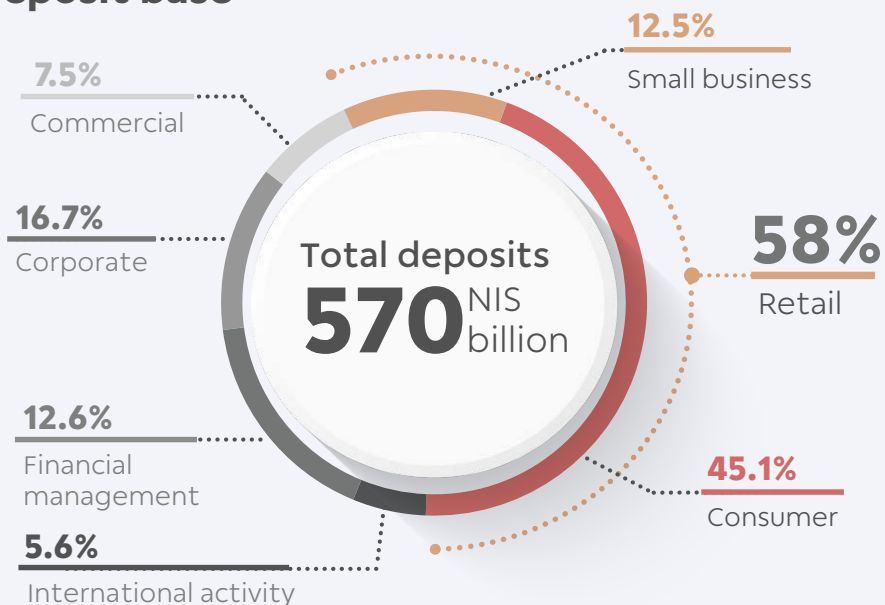
46% Average **LTV** of housing loans

* For full disclosure regarding segmentation of credit risk in the construction and real-estate sectors in Israel, by customers' principal area of activity, refer to table 3-5 in the quarterly report.

** 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. bank hapoalim

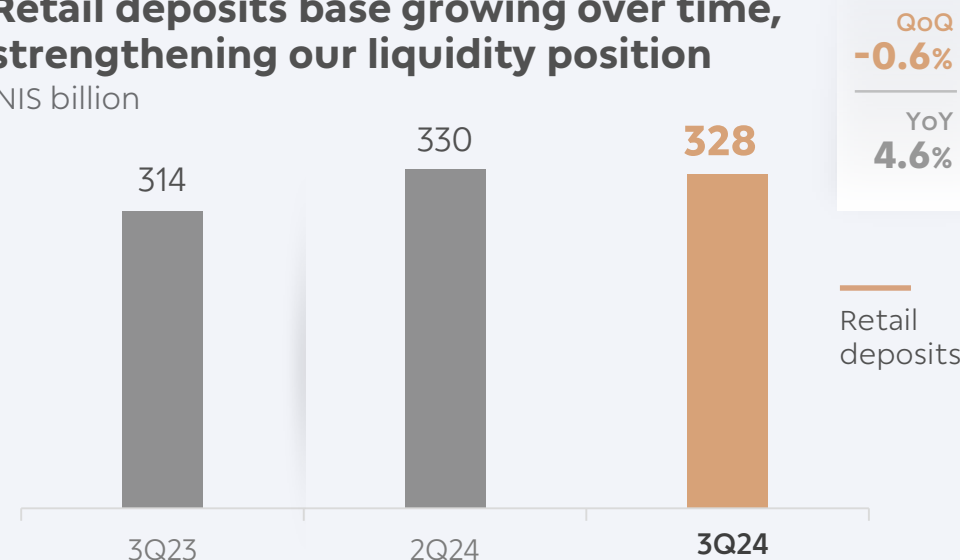
Our largest-in-the-sector retail base provides a competitive advantage

Deposit base



Retail deposits base growing over time, strengthening our liquidity position

NIS billion



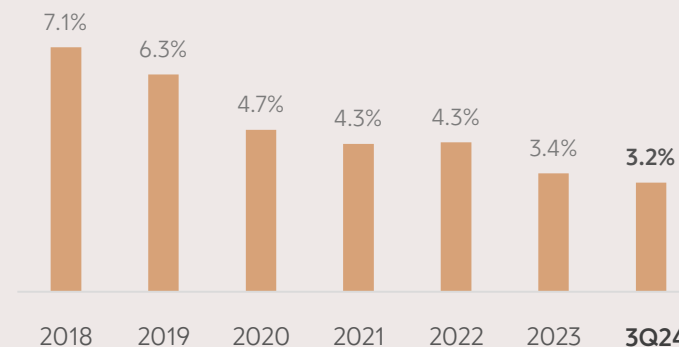
Above regulatory requirement of 100%

132%
LCR

125%
NSFR

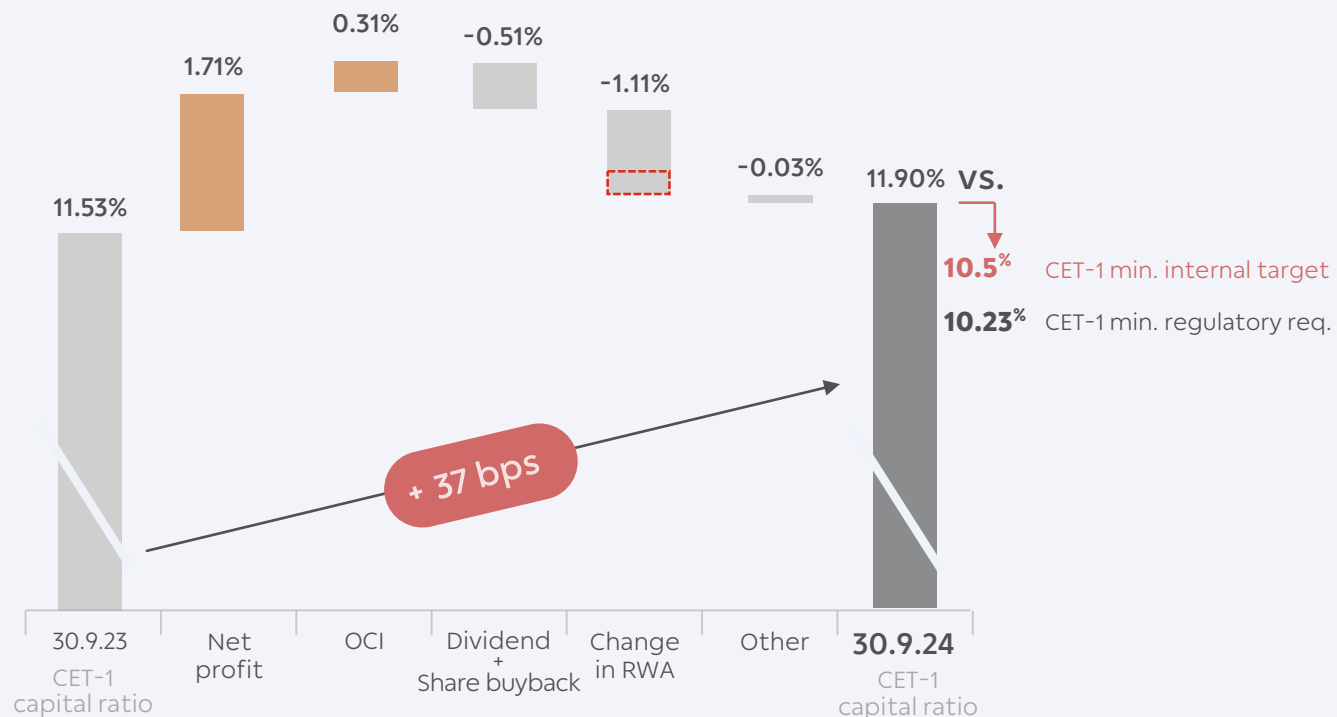
76%
LDR

The share of bonds and subordinated notes to total liabilities



Substantial organic capital generation leading to high capital ratios

CET-1 capital ratio

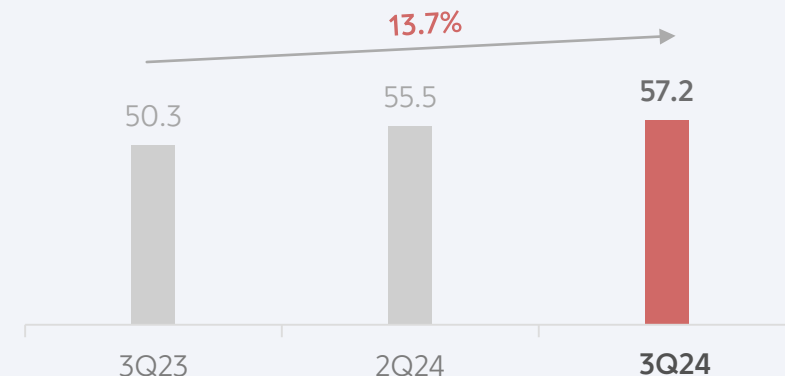


The gap between the current CET-1 ratio and the minimum internal target, reflects a substantial capital surplus, to serve various future growth scenarios, potential further capital distribution, a buffer for negative scenarios, etc.

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%

14.80%

Leverage ratio

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

7.17%

* 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 3Q24 report.

High shareholder return through dividend distribution and share buyback

Buyback plan – second tranche

In the amount of NIS 250 million

To be executed by February 2025 or earlier

First tranche of NIS 250 million successfully executed

Total dividend

In respect of the last four quarters' profits

2.3

NIS billion

Reflecting

4.7%
yield*

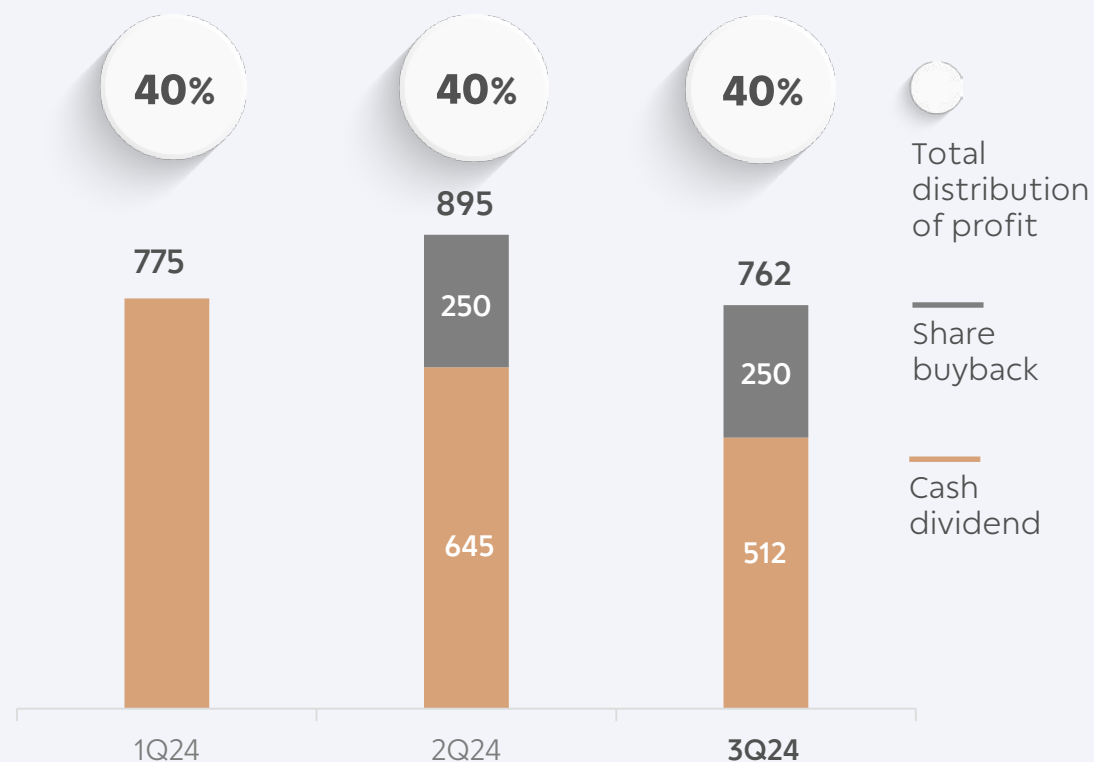
Total share buyback

500

NIS million

+

Capital distribution, NIS million



* Calculated as the dividend per share declared in respect of the last four quarters' profits, including 3Q24, divided by share price on the record date of each distribution or declaration.

Bit – a one-of-its-kind strategic asset in the Israeli market



Current offering

✓ **P2P transactions**
Most popular app in Israel

✓ **P2M (online payments)**
Working with:

- Over 30k merchants
- Leading PSPs (payment service providers) in Israel

✓ **Claims disbursements**
Working with almost all insurance companies and pension funds

✓ **Bill payments**

- Water bill
- Municipal tax
- Toll road

Bit's new developments



Transaction fee

For commercial users, starting January 1, 2025, a 0.6% fee will apply to incoming payments exceeding the total amount of NIS 25k per year.



Payment account

For all users, customers will be able to hold and manage stored funds through a payment account in the app.

- Reduces current clearing fees
- Expands the bank's deposit base

Further expansion
of product offering
based on the new
payment account



3.3 million
Active users

~70%
Market share

3Q24 key takeaways

1

Consistently delivering double-digit ROE; cost-income ratio at 36.6%.

2

Strong credit growth in the quarter as the bank succeeded in translating the release of suppressed demand into broad-based growth across all segments.

3

Increase in income from regular financing activity, even excluding the CPI effect, as a result of the growth in average credit balances.

4

NPL continued to decline, bringing the NPL ratio to 0.71%; credit-loss allowance is more than double the NPL balance.

5

Strong organic capital generation creates a large capital buffer and allows for a total distribution of 40% of net profit.

6

Bit introduces two new developments: starting in 2025, a 0.6% fee will apply to certain transactions, and customers will be able to hold and manage stored funds through a payment account.



◆ bank hapoalim

3Q24 Quarterly Financial Review

Appendix

Key balance sheet items NIS million

	3Q23	2Q24	3Q24
Cash on hand and deposits with banks	92,131	107,821	115,842
Securities	136,810	123,948	124,400
Net credit to the public	404,371	416,297	430,395
Deposits from the public	532,756	552,612	569,938
Deposits from banks	8,953	11,371	10,839
Bonds and subordinated notes	23,810	19,535	20,823
Shareholders' equity	50,252	55,506	57,156
Total balance sheet	675,988	685,140	713,667

Note: For a full balance sheet analysis, please refer to the bank's financial statements for 3Q24.

Key profit and loss items NIS million

	3Q23	2Q24	3Q24
Total net financing profit	4,209	4,706	4,619
Fees and other income	1,089	1,026	1,008
Total income	5,298	5,732	5,627
Wages	(1,136)	(1,129)	(1,036)
Maintenance and depreciation of buildings and equipment	(353)	(363)	(376)
Other expenses	(570)	(614)	(650)
Total operating and other expenses	(2,059)	(2,106)	(2,062)
Provision for credit losses	(662)	49	(406)
Profit before taxes	2,577	3,675	3,159
Provision for taxes on profit	(917)	(1,402)	(1,196)
Net profit	1,669	2,238	1,905
ROE	13.4%	16.4%	13.6%

Note: For a full profit and loss analysis, please refer to the bank's financial statements for 3Q24.



◆ bank hapoalim
Israel's leading
financial institution