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# **Bank Hapoalim**

Quarterly Financial Review

1Q25

# Disclaimer

This presentation includes condensed information and selected data from Bank Hapoalim's 1Q25 financial results. This presentation is not a substitute for the Bank's 1Q25 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](http://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.

The targets listed in this presentation constitute forward-looking information, as defined in the Securities Law. The targets are based on various assumptions, estimates, and evaluations with regard to future events, the materialization of which is uncertain and/ or not under the Bank's control, including assumptions regarding macroeconomic conditions, in line with expectations derived from the market; these include a Bank of Israel interest rate of 4.00% at the end of 2025 and 3.75% at the end of 2026, inflation of 2.3%-2.5% during the years of the plan, and GDP growth of 3.3%-3.5% during the years of the plan.

In addition, the targets were set based on the existing regulation at the date of the report (not including the outline for the banking system regarding which the Bank of Israel issued a press release close to the date of approval of the financial statements, the details, manner of implementation, and impacts of which are still unclear; see the section "Regulatory initiatives" in the Corporate Governance Report), including in connection with profit distribution, and do not include the effects of one-time events, including recognition

of reimbursement by insurance and potential income from the disposal of real-estate properties owned by the Bank in the course of the relocation to the Poalim Center. The targets may not be realized, in full or in part, and the actual business results achieved may be materially different, due, among other factors, to the failure of the assumptions detailed above to materialize; changes in the business environment, in Israel and globally, and in macroeconomic conditions; the condition of the global economy; the economic, political, and security situation in Israel and in the region; regulatory changes and consequent restrictions applicable to the Bank; or the materialization of any of the risk factors that affect the Bank. See the section "Review of risks".

The Bank's plans and the financial targets are subject to changes that may be required from time to time, including due to factors that may affect their realization, as described above. Subject to the directives of the law, the Bank shall not be obligated to update the information regarding the financial targets at any time.

Strong opening of the year, with robust profitability, significant growth and solid balance sheet metrics

## ROBUST PROFITABILITY

**16.4%**

ROE

NIS **2.4** Bn +25.1%  
YoY  
**Net profit**

**35.0%**  
C/I ratio

## CONTINUOUS GROWTH

**+10.8%** YoY

**+2.7%** QoQ

**Credit growth**

**+11.8%** YoY

**+3.2%** QoQ

**Total income**

## SOLID BALANCE SHEET

**11.74%**

CET-1 ratio

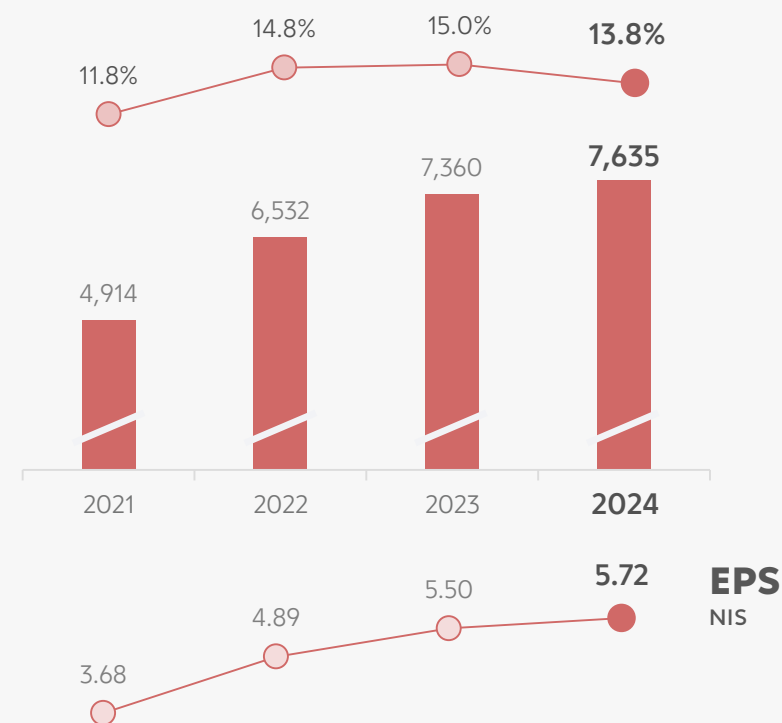
**0.52%**  
NPL ratio

**128%**  
LCR

# Continued strong profitability

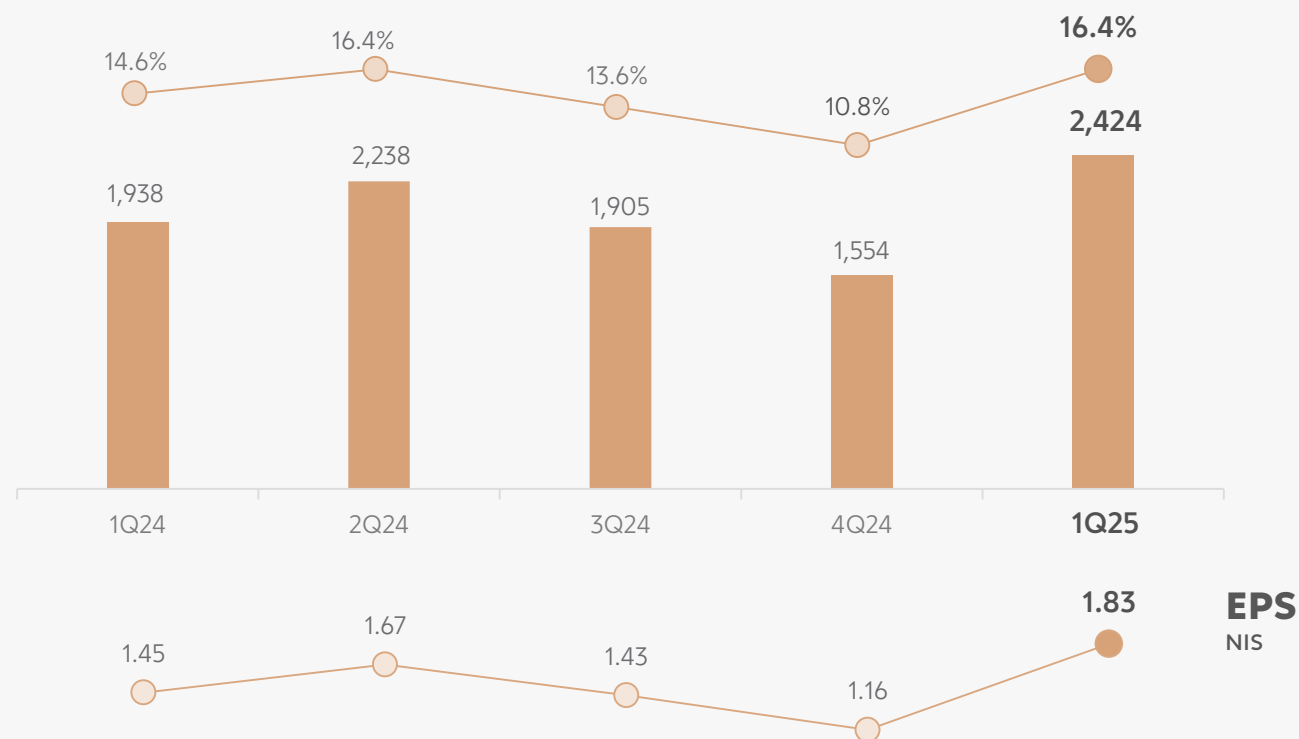
## Net profit, ROE & EPS, annual

NIS million



## Net profit, ROE & EPS, quarterly

NIS million



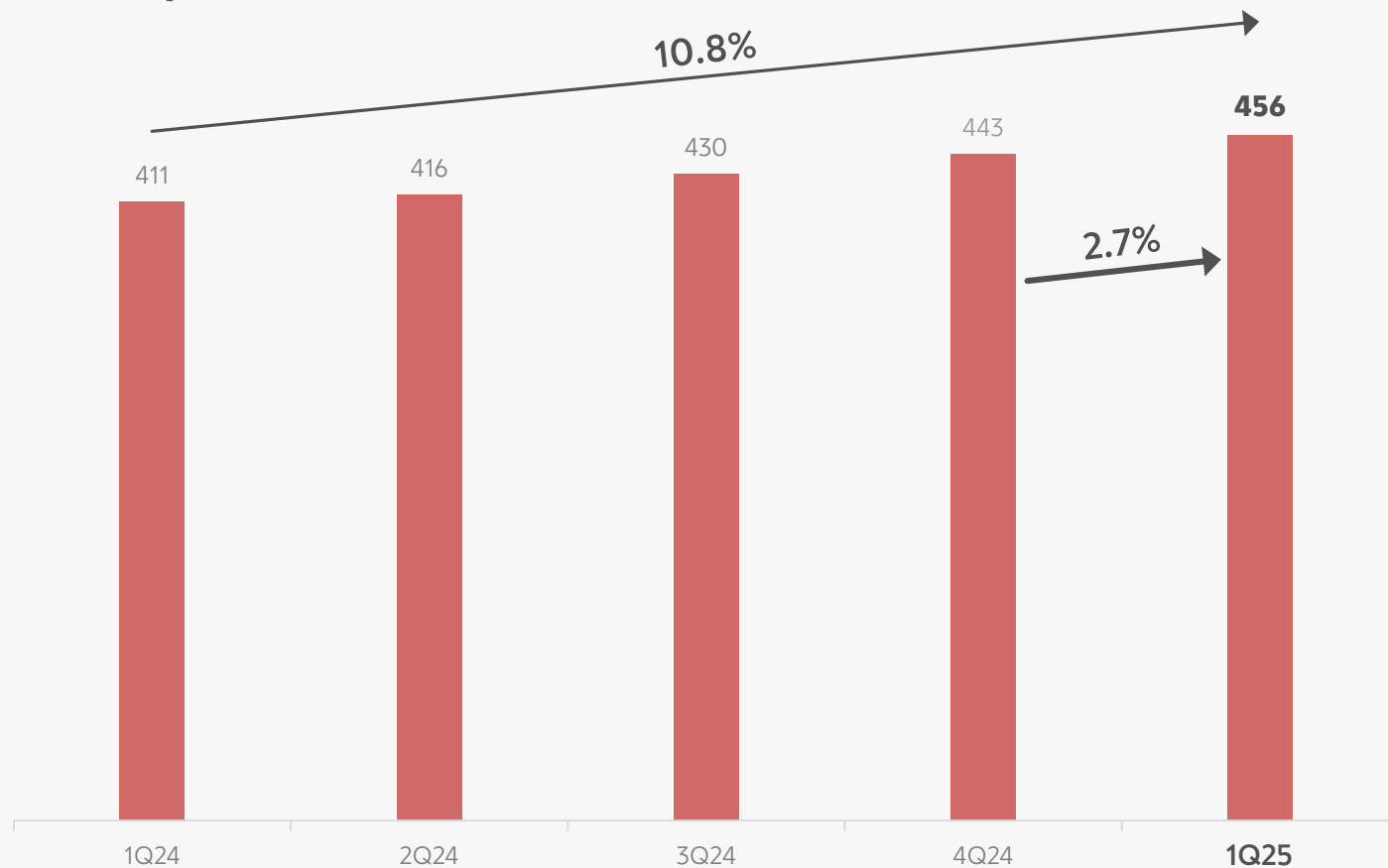
4Q24 and FY24: Including ~NIS 400 m negative net impact of retirement plan and a special war tax expense of approx. 4.5% (due to the partial period) of the FY24 profit generated in Israel.

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

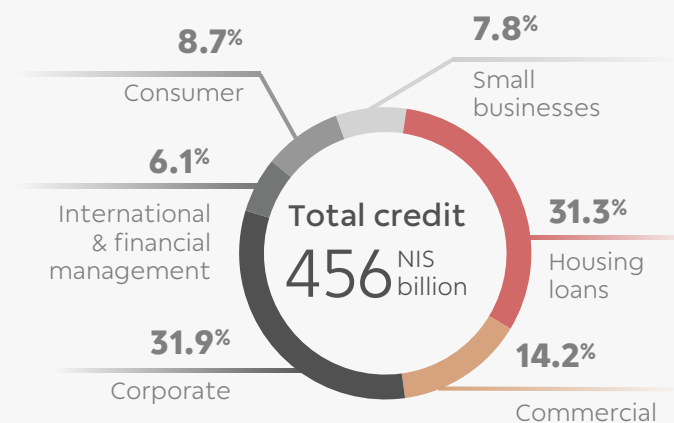
1Q25: Including NIS 0.3 billion tax income recorded in respect of the liquidation of the subsidiary Hapoalim Switzerland and a special war tax expense of approx. 6% of the profit generated in Israel.

# Significant growth momentum

**Credit portfolio, NIS billion**

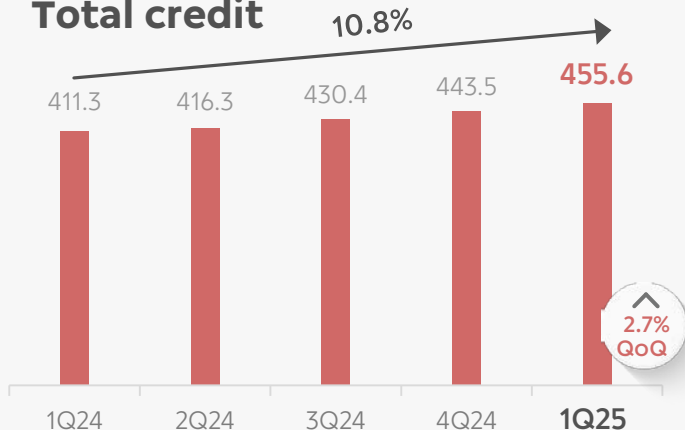


**Well-diversified credit portfolio**

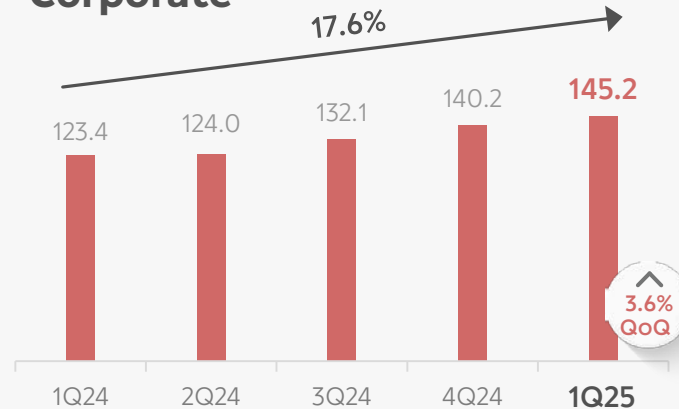


# Credit growth across all segments of operation NIS billion

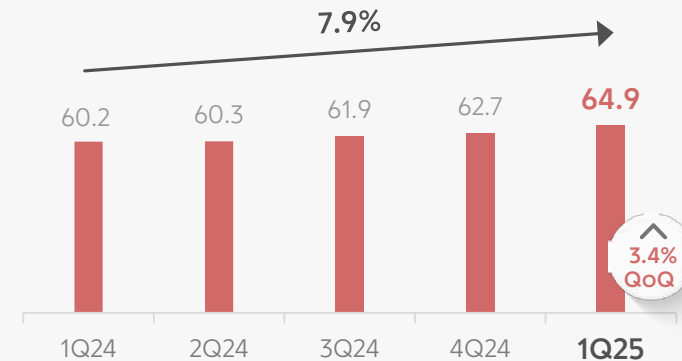
## Total credit



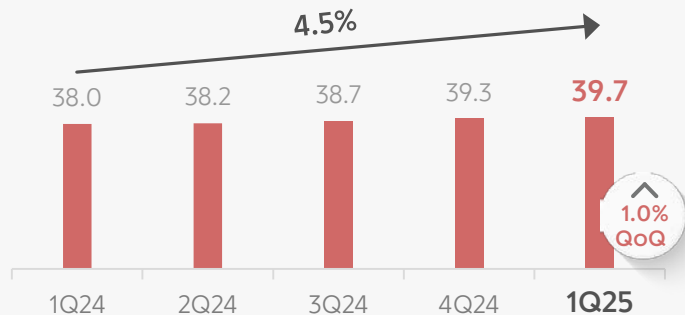
## Corporate



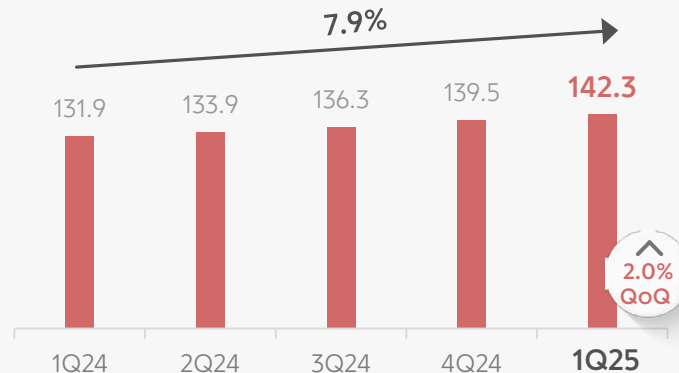
## Commercial



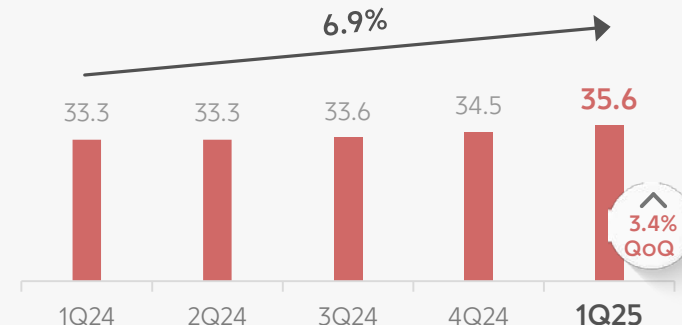
## Consumer



## Housing loans

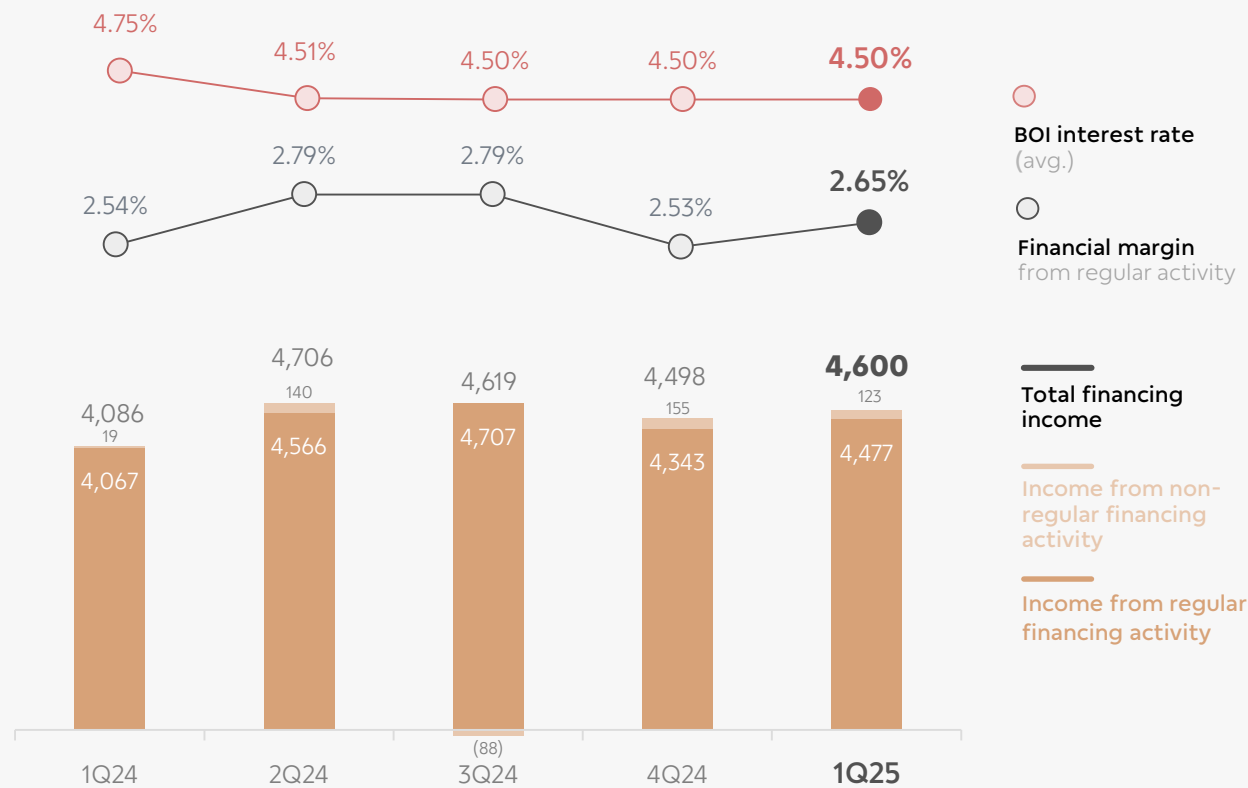


## Small businesses

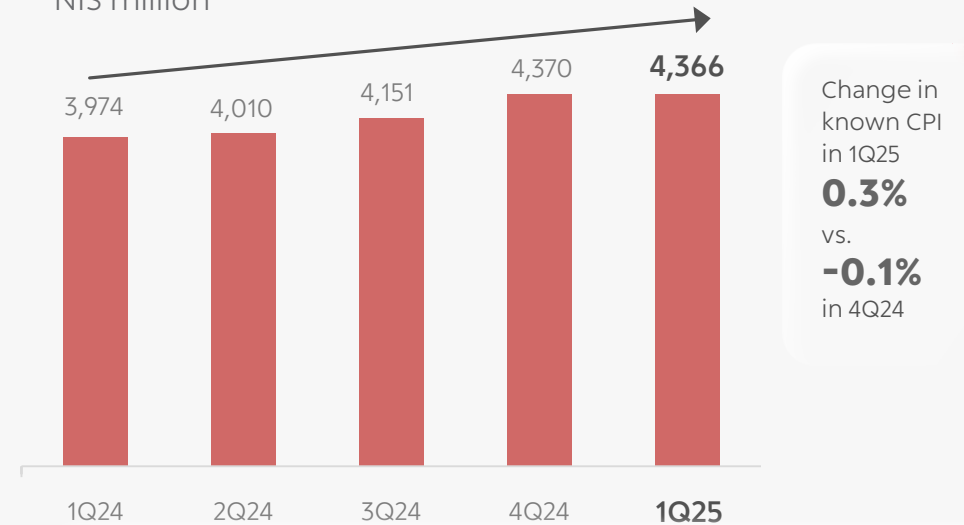


# Resilient financing income and margins performance, positively affected by credit growth, CPI, asset portfolio rollover and duration extension

## Financing income, NIS million



## Income from regular financing activity excl. CPI NIS million



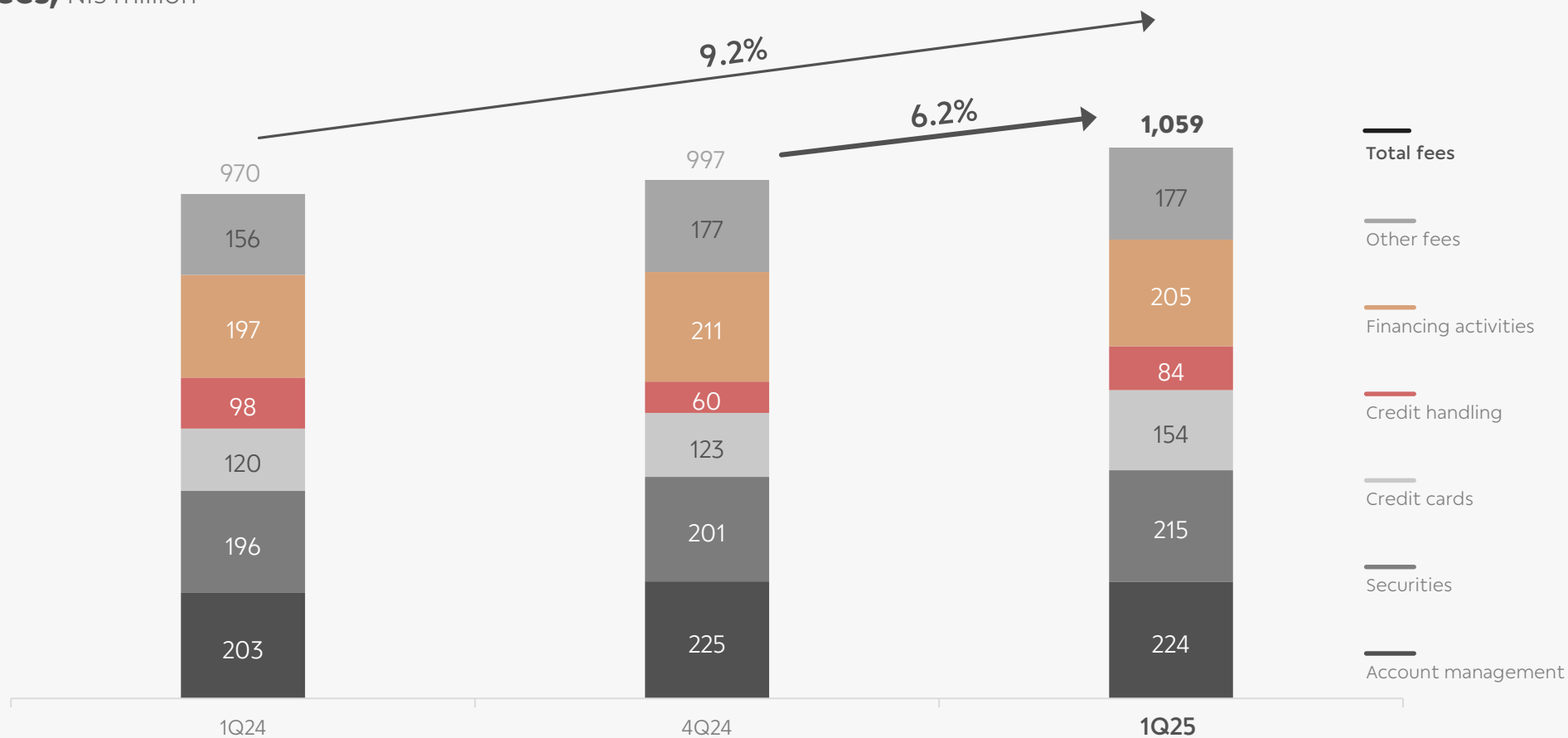
Change in known CPI in 1Q25  
**0.3%**  
vs.  
**-0.1%**  
in 4Q24

### Bank of Israel outline for monetary reliefs

On March 30, 2025, BOI issued an outline of reliefs to assist customers during 2025-2026, which has been voluntarily adopted by the banking system. The total sum of benefits which will be provided by the banking system is NIS 1.5 billion per year, of which the Bank announced a series of grants and benefits at the amount of NIS 400 million per year, beginning in the second quarter of 2025.

# Growth in customer activity reflected in strong fee volume

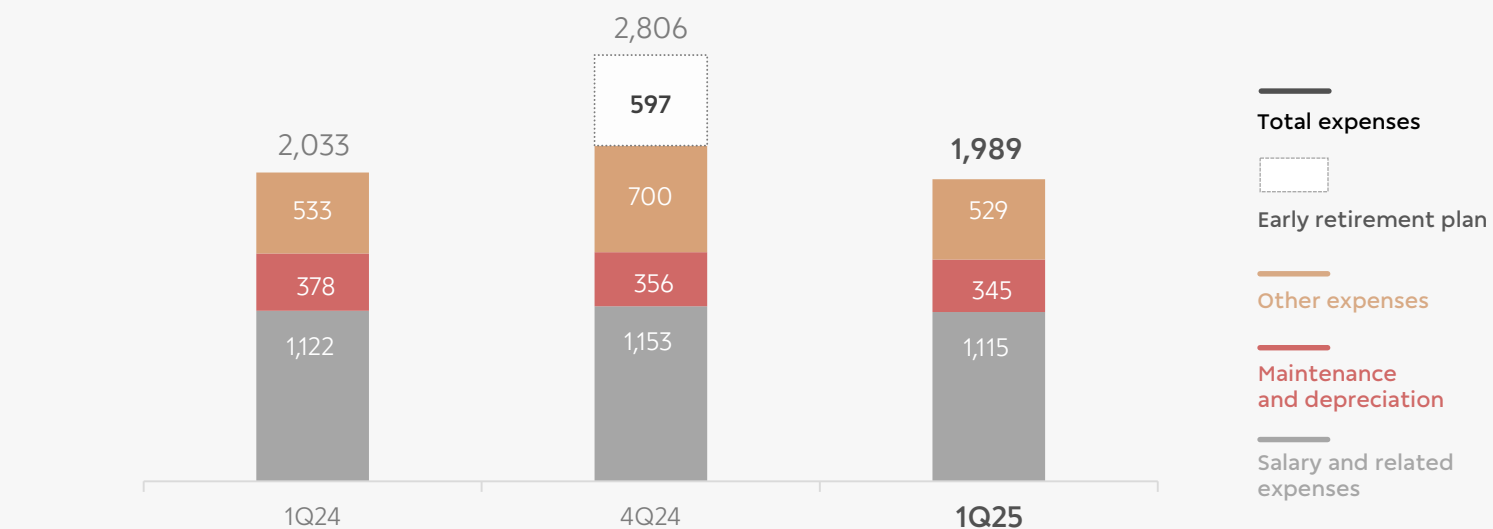
**Fees, NIS million**





# Alongside the increase in revenues, disciplined cost base management

## Total expenses, NIS million



Cost-income ratio

39.9%

50.9%

35.0%

40.1% excl.  
early retirement plan

-29.1%  
QoQ

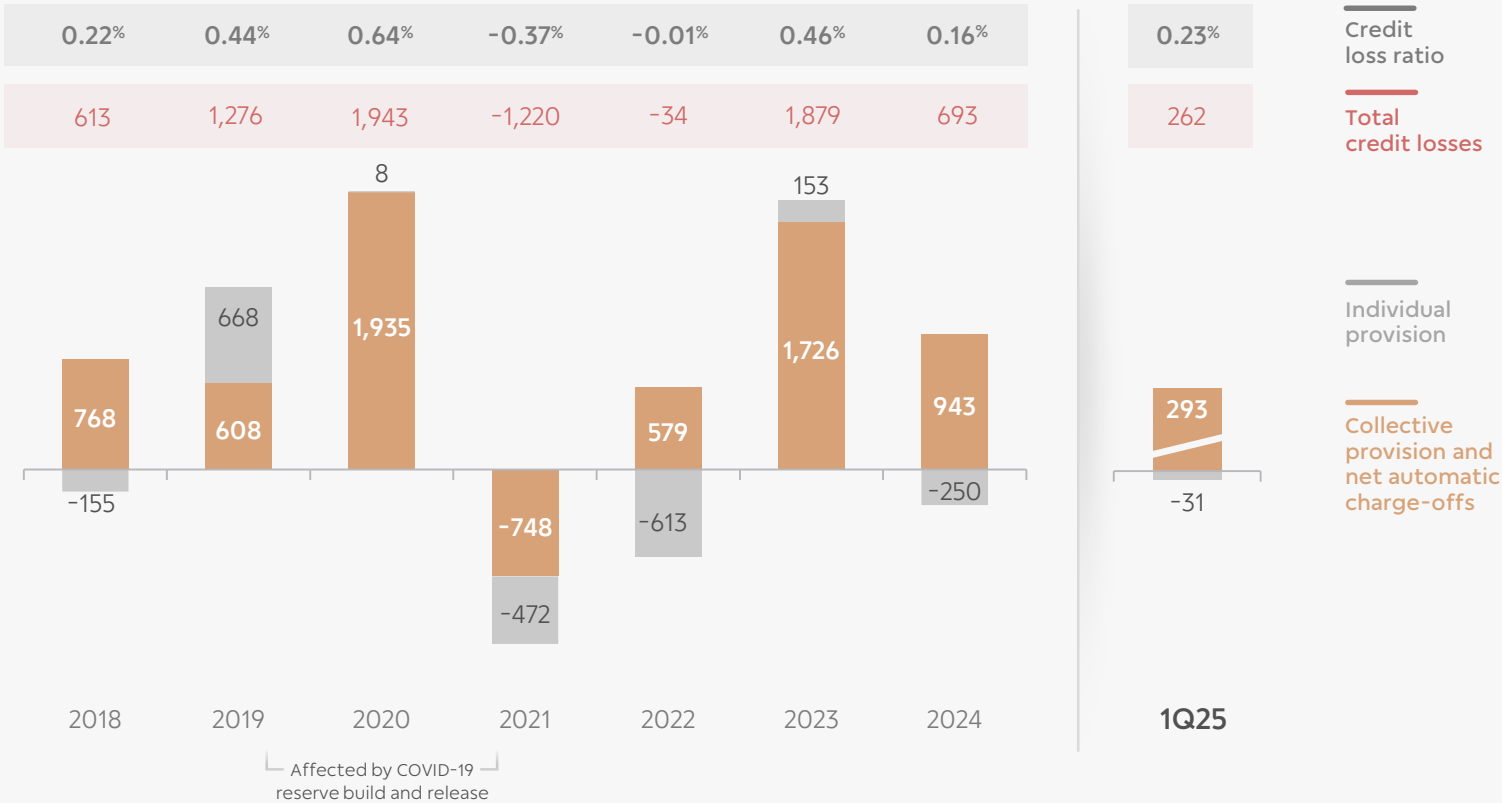
-10.0%  
QoQ

-2.2%  
YoY

Excluding early retirement plan

# Further build of the collective allowance alongside income from individual allowance

Provision for credit losses, NIS million



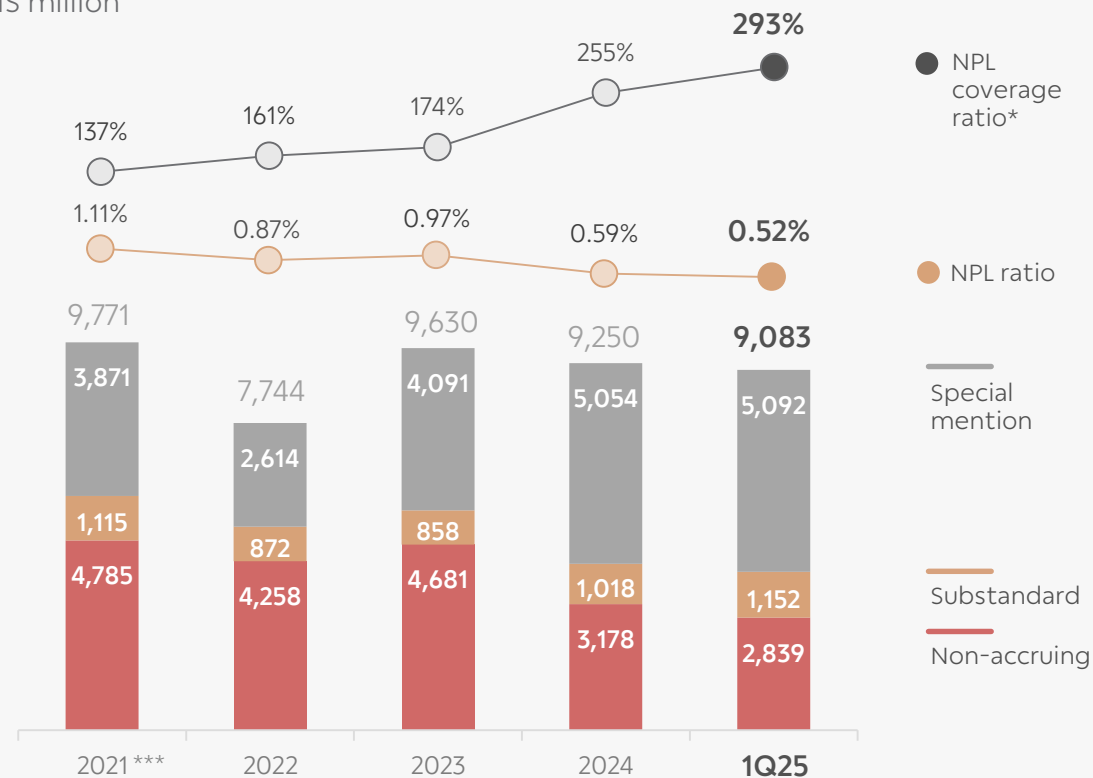
The provision in the first quarter of 2025 was driven by an increase in the collective allowance for credit losses, due to growth of the credit portfolio as well as potential impacts of the change in the economic, political, and security environment in Israel.

In the first quarter, income was recorded in respect of the individual allowance as a result of recoveries from a small number of borrowers.

# High credit quality metrics; low NPL ratio alongside allowance of almost triple the NPLs

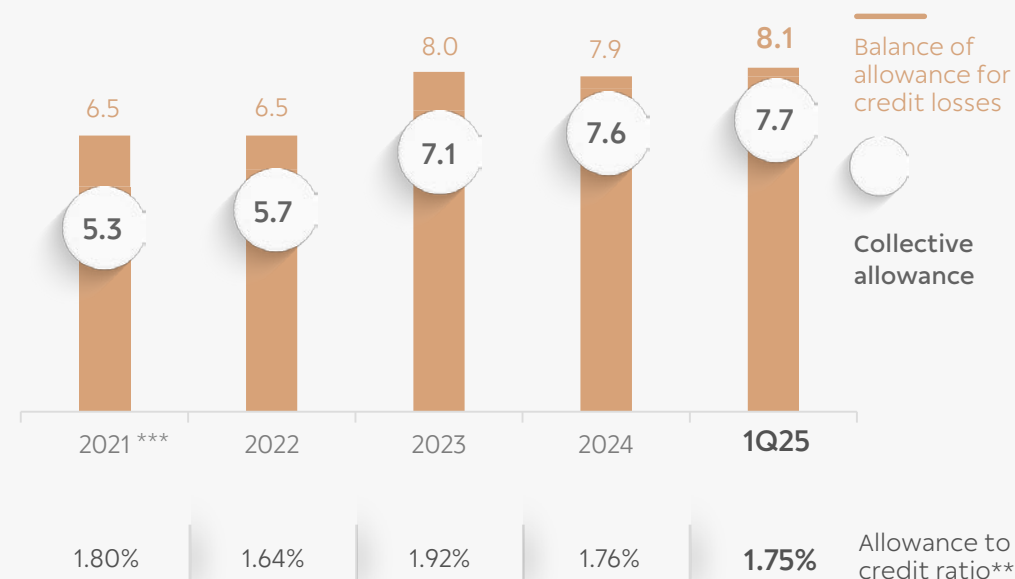
## Total problematic debt, NPL ratio & NPL coverage ratio

NIS million



## Allowance balances and ratio

NIS billion



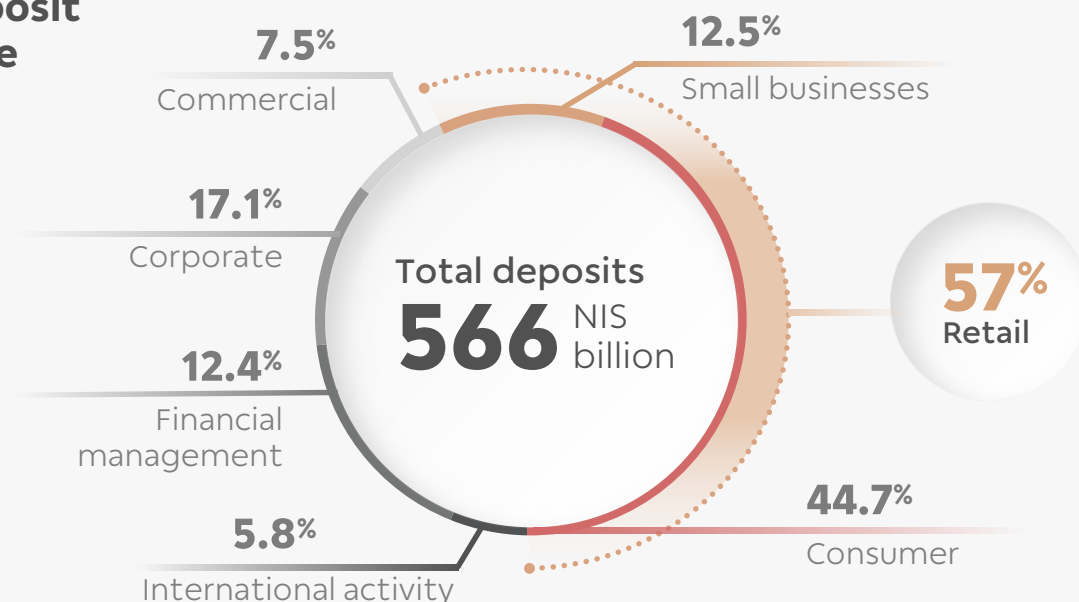
\* Balance sheet allowance for credit losses to NPL.

\*\* 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.

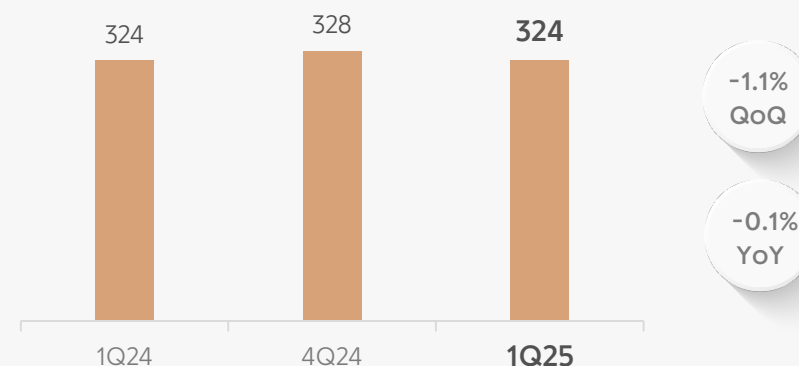
# Largest-in-sector retail deposit base provides a competitive advantage

## Deposit base



## Retail deposit base

NIS billion



**128%**  
LCR

Above regulatory  
requirement of 100%

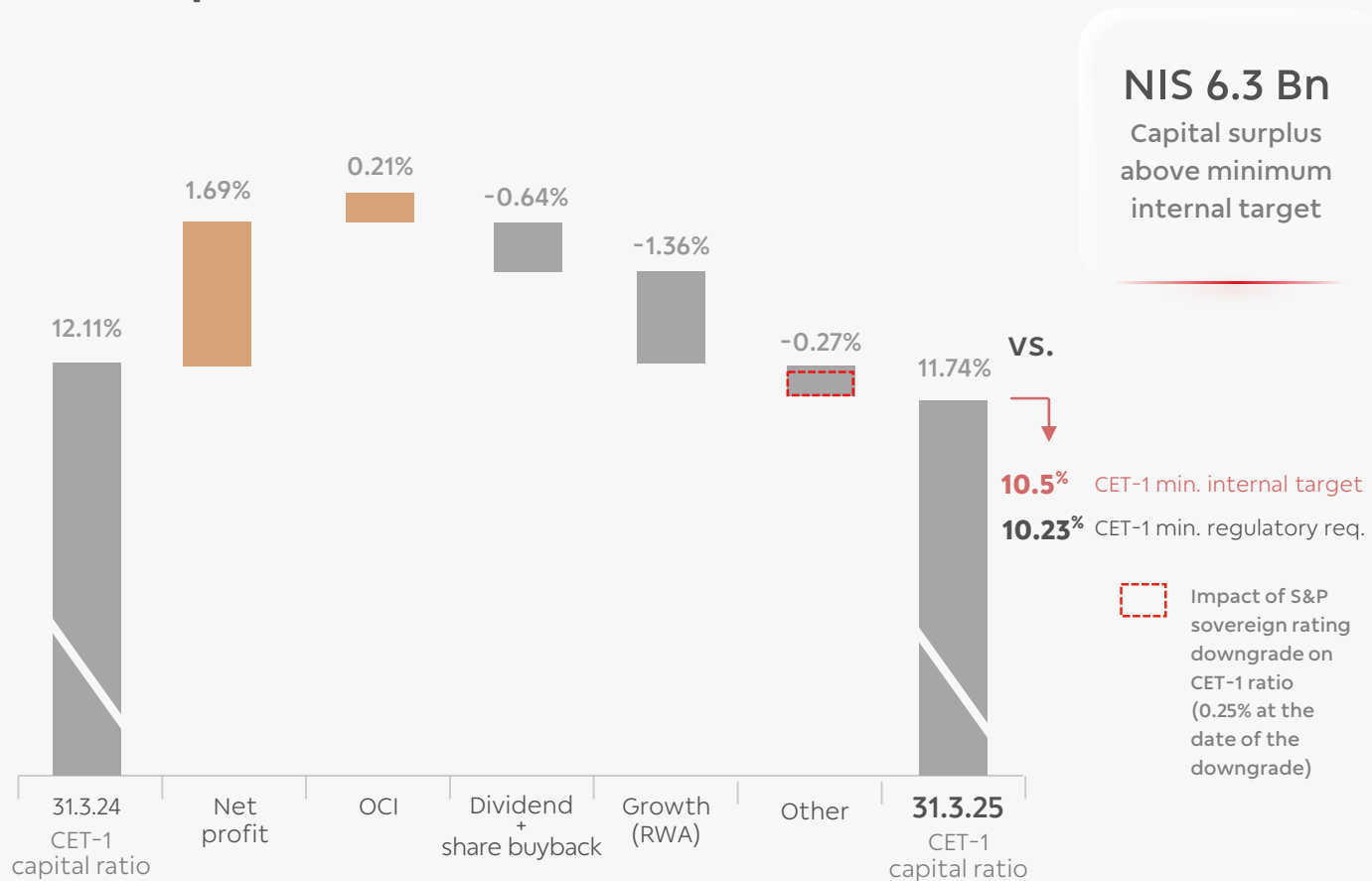
**119%**  
NSFR

## Stability in non-interest bearing deposits

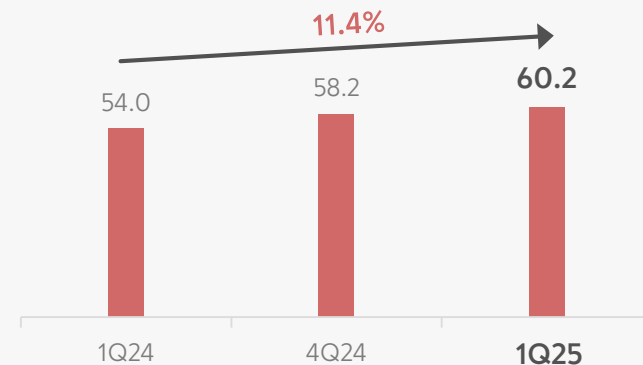
**26%** Non-interest bearing deposit ratio  
Vs. 28% in 1Q24

# Substantial organic capital generation and surplus

## CET-1 capital ratio



## Strong growth in shareholders' equity, NIS billion



## Total capital ratio

vs. min. regulatory req. of 13.5%

**14.65%**

## Leverage ratio

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

**7.46%**

\* 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 1Q25 report.

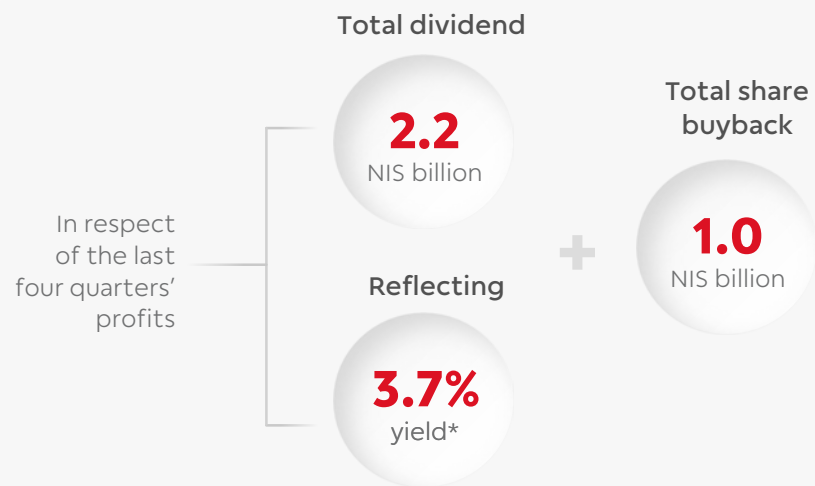
# Continued distribution of 40% of net profit

## Buyback plan, fourth tranche

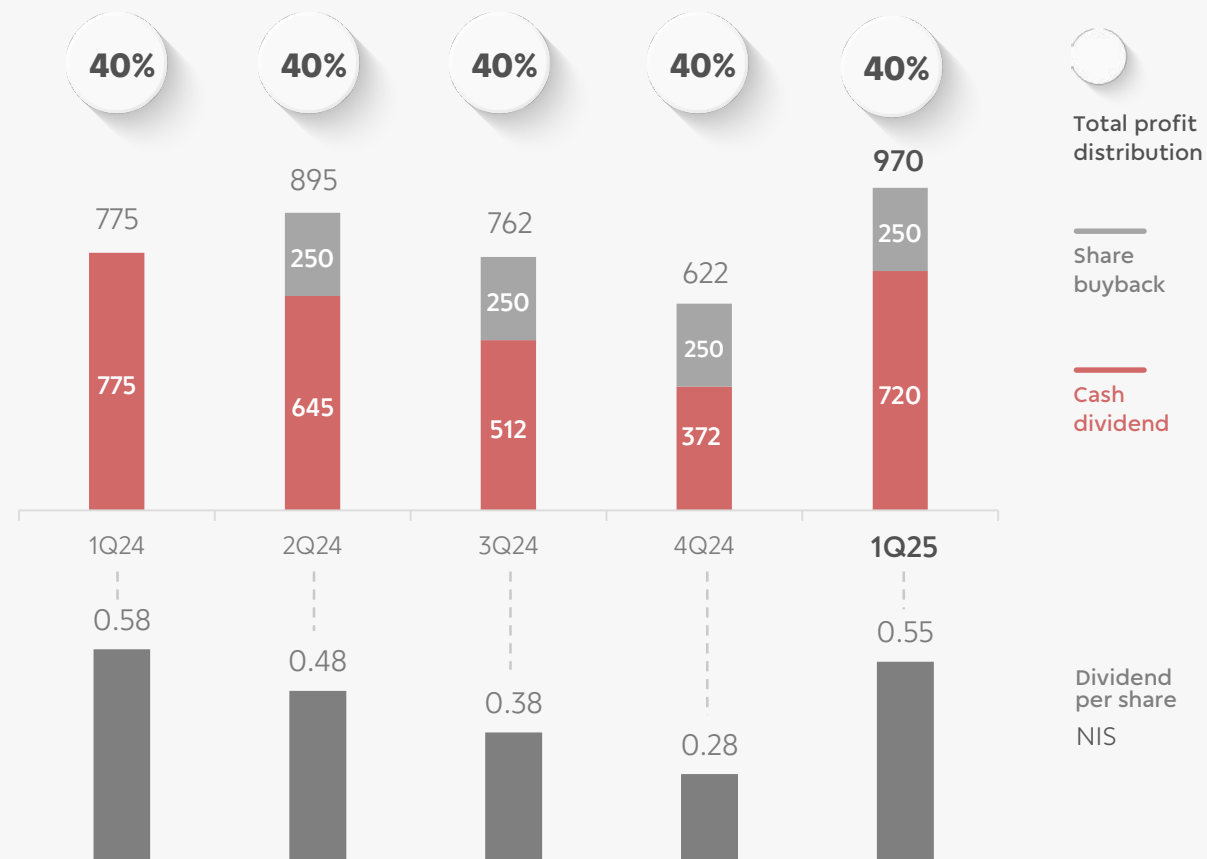
Amount: NIS 250 million

To be executed by August 2025 or earlier

First three tranches of NIS 250 million each successfully executed



## Profit distribution, NIS million



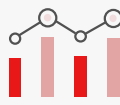
\* Calculated as the dividend per share declared in respect of the last four quarters' profits, including 1Q25, divided by share price on the record date of each distribution or declaration.

## Financial targets for 2025-2026 as published in March 2025



Net profit

**NIS 8.5-9.5 Bn**



ROE

**~ 14%-15%**



Credit growth

**~ 7%  
annually**



Profit distribution

**At least  
50%\***

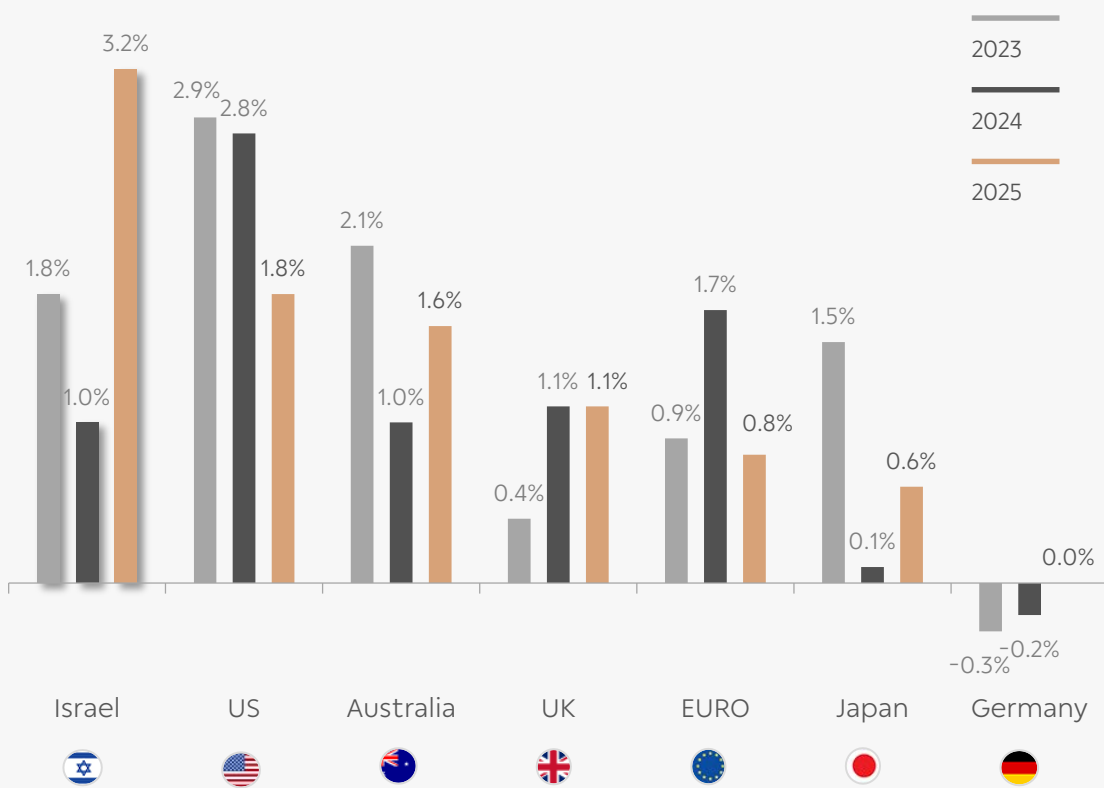
Note: financial targets are subject to baseline assumptions, as disclosed in section 1.2.2 in the 2024 annual report.

\* By cash dividend or share buyback, subject to the guidelines of the Bank of Israel and all relevant circumstances.  
(see section 2.3.2 in the 2024 annual financial report regarding capital and capital adequacy).

# Economic activity is recovering gradually, though still below potential

## Israel's growth remains higher than most advanced economies

GDP growth 2023-2025F Source: IMF



## Tight labor market

Employed persons (thousands) and unemployment rate, SA , Source: CBS

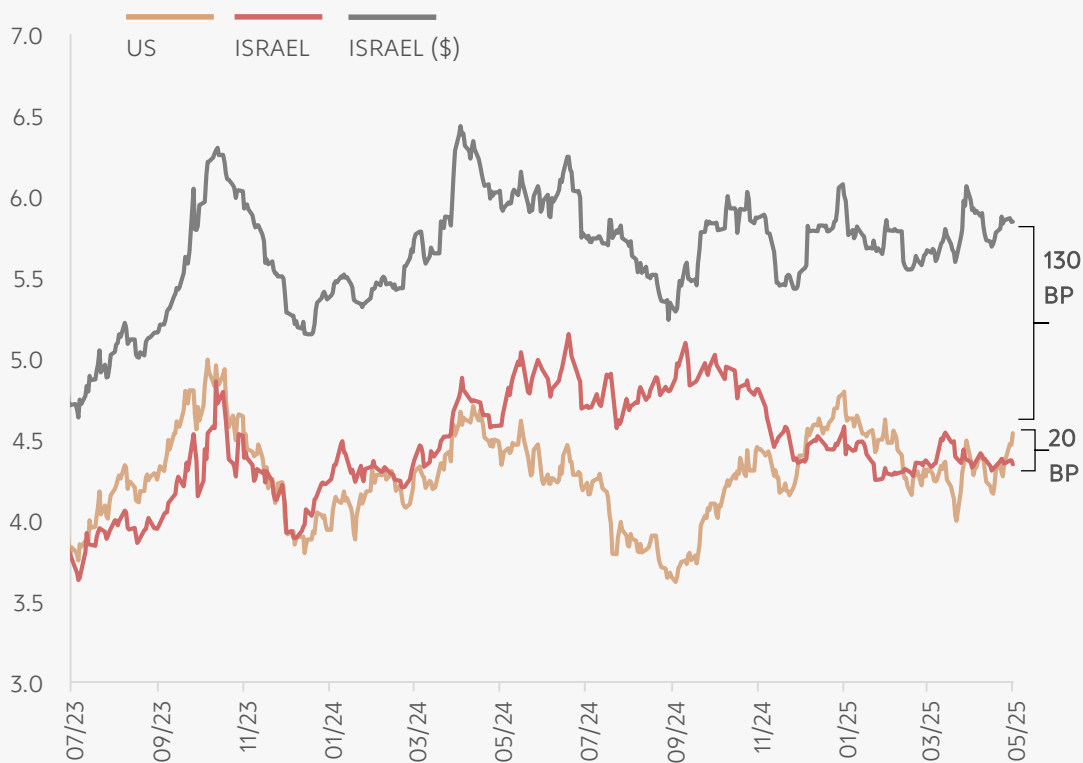




# The fiscal stance has improved but risk premiums stay high

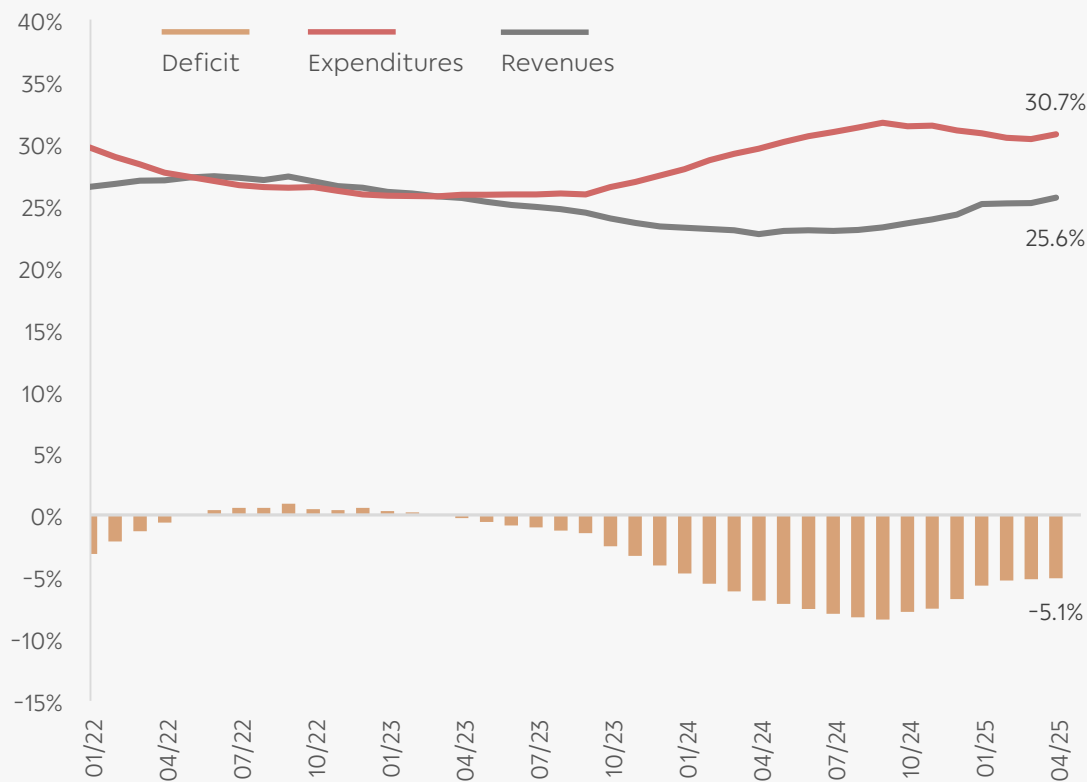
## Risk premiums

10-year government bond yields. Source: Bloomberg



## Government balance, 12-month trailing sum

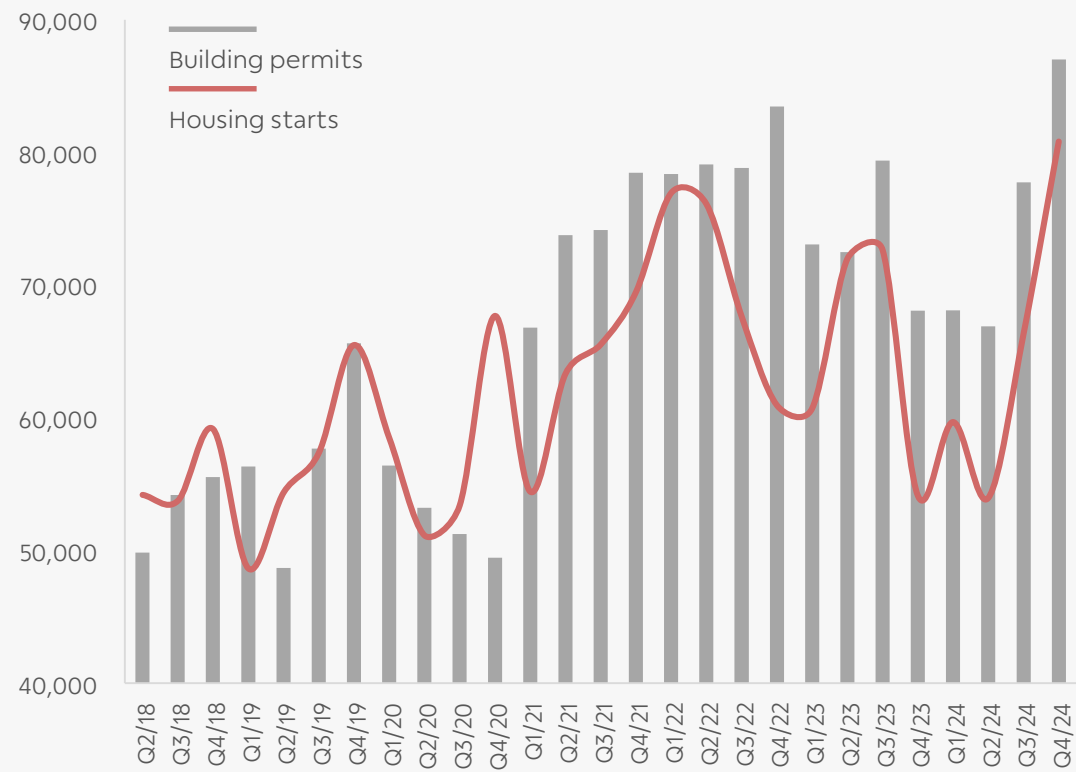
Public debt as a percentage of GDP, 2024 projections



# Housing starts rise while home sales have moderated

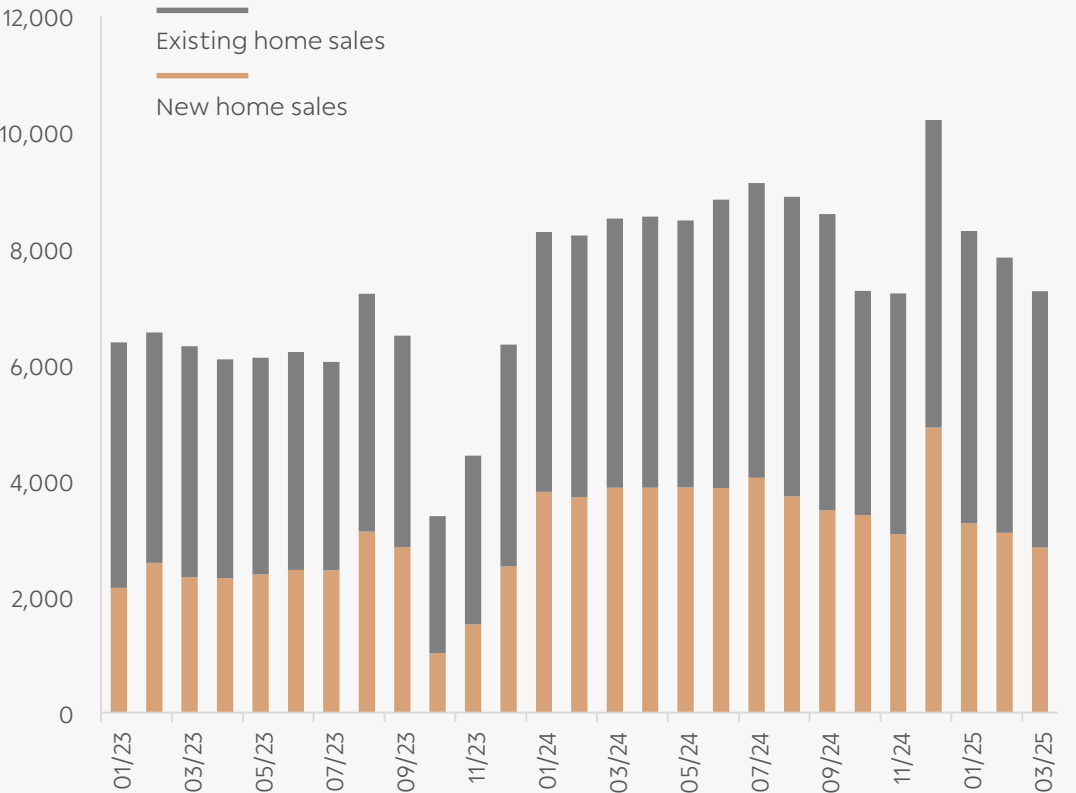
## Housing starts and permits

SAAR, Source: CBS



## Home sales

Units per month. Source: CBS



## 1Q25 key takeaways

1

**Strong opening of the year,  
on track to meeting our  
financial targets**

4

**Significant credit growth momentum;**  
growth was broad-based  
across all segments

2

**Robust profitability –**  
ROE 16.4%  
cost income ratio 35%

5

**Growth was recorded while credit quality  
metrics continued to improve;**  
NPL ratio 0.52%;  
credit-loss allowance to NPLs 293%

3

**Resilient financing income and fees,**  
positively affected by growth in activity,  
CPI, asset portfolio rollover and duration  
extension

6

**Substantial organic capital generation  
and surplus** allows for continued total  
distribution of 40% of net profit



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1Q25 Financial Review



Appendix

## Key balance sheet items NIS million

	1Q24	4Q24	1Q25
Cash and deposits with banks	97,901	117,053	90,552
Securities	119,486	121,838	133,277
Net credit to the public	411,286	443,483	455,594
Deposits from the public	539,902	574,285	565,886
Deposits from banks	13,011	10,837	7,016
Bonds and subordinated notes	20,775	20,190	24,708
Shareholders' equity	54,048	58,150	60,224
<b>Total balance sheet</b>	<b>665,893</b>	<b>720,844</b>	<b>720,197</b>

Note: For a full balance sheet analysis, please refer to the bank's financial statements for 1Q25.

## Key profit and loss items NIS million

	1Q24	4Q24	1Q25
Total net financing profit	4,086	4,498	4,600
Fees and other income	1,004	1,013	1,090
<b>Total income</b>	<b>5,090</b>	<b>5,511</b>	<b>5,690</b>
Salaries and related expenses	(1,122)	(1,153)	(1,115)
Maintenance and depreciation of buildings and equipment	(378)	(356)	(345)
Other expenses	(533)	(1,297)	(529)
<b>Total operating and other expenses</b>	<b>(2,033)</b>	<b>(2,806)</b>	<b>(1,989)</b>
Provision for credit losses	14	(350)	(262)
Profit before taxes	3,071	2,355	3,439
Provision for taxes on profit	(1,157)	(804)	(1,049)
<b>Net profit</b>	<b>1,938</b>	<b>1,554</b>	<b>2,424</b>
<b>ROE</b>	<b>14.6%</b>	<b>10.8%</b>	<b>16.4%</b>

Note: For a full profit and loss analysis, please refer to the bank's financial statements for 1Q25.

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**Israel's leading**  
financial institution

