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**3Q20**

Quarterly  
Financial Review

 **bank hapoalim**



This presentation includes condensed information and selected data regarding Bank Hapoalim's Third Quarter 2020 results.

This presentation does not substitute the Bank's Third Quarter 2020 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 for the Bank's business, financial condition and results of operations, are subject to risks and uncertainties, that could 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 which are detailed from time to time in the Bank's filings with the securities authorities.

# 3Q20 <sup>3</sup> | Strong fundamentals support a fortress position



## **Solid profit in Q3**

despite challenging macro environment



Following high reserve build in 1H20

## **Q3 provision materially lower**



## **Strong capital generation**

high surplus vs. targets



## **Robust liquidity position**

supported by large retail deposit base



## **Astute credit growth**

in line with risk management



## **Vigilant cost control**

allows for continued investment in growth

## 3Q20 financial highlights

ROE

**8.8%**

Provision ratio

**0.26%**

Cost income ratio

**56.1%**

CET1 ratio

**11.53%**

Collective allowance ratio

**1.58%**

# 3Q20 4 | Israel and COVID-19



Post second wave of high infection rate and lockdown, Israel is ahead of other economies



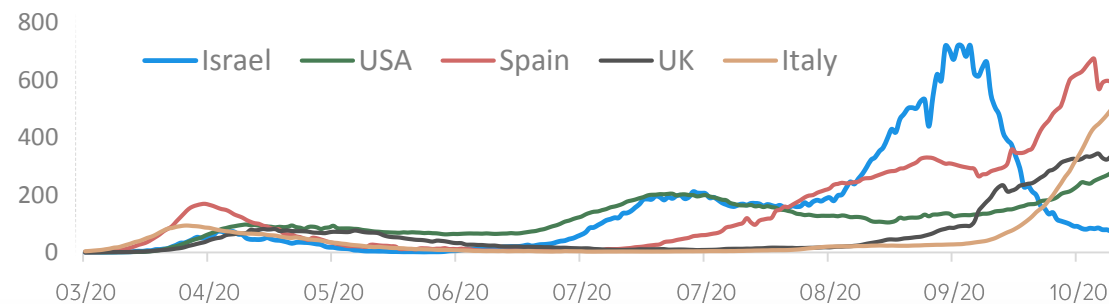
Impact of the second lockdown on the economy was less severe than the first



Fast rebound in economic activity post lockdown, learning curve apparent

## The rate of infection has decreased

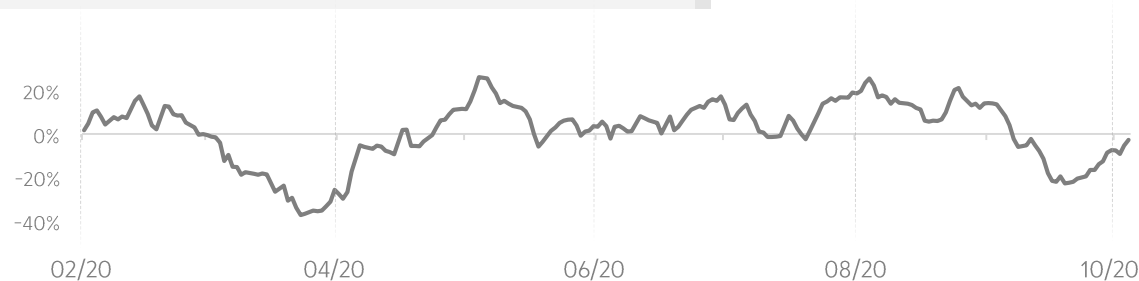
Daily new confirmed cases of Covid-19 per million people



Source: Our World in Data

## Private consumption was less affected by the second lockdown

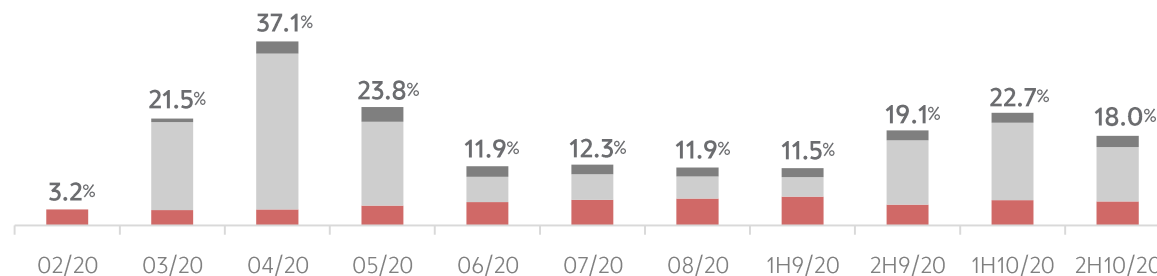
Credit card local purchases, change vs January 2020



Source: Bank of Israel

## Post peak, decline in unemployment

Not participating in the labor force due to COVID | COVID related furloughs | Unemployed

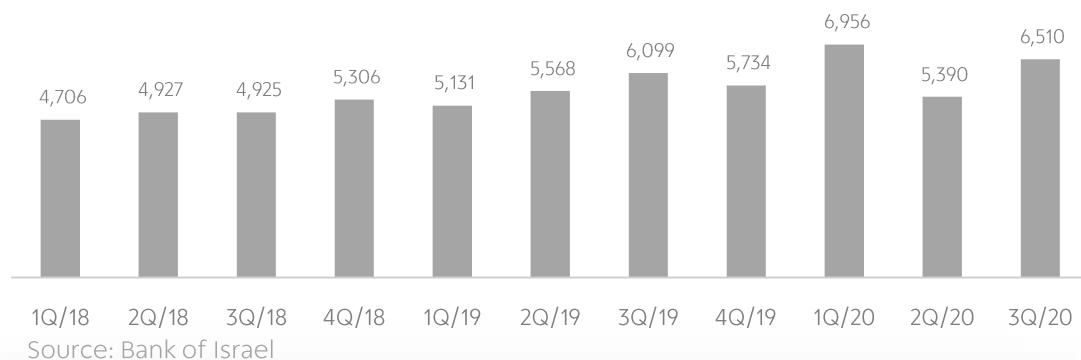


Source: Central Bureau of Statistics

# 3Q20 5 | Israel and COVID-19

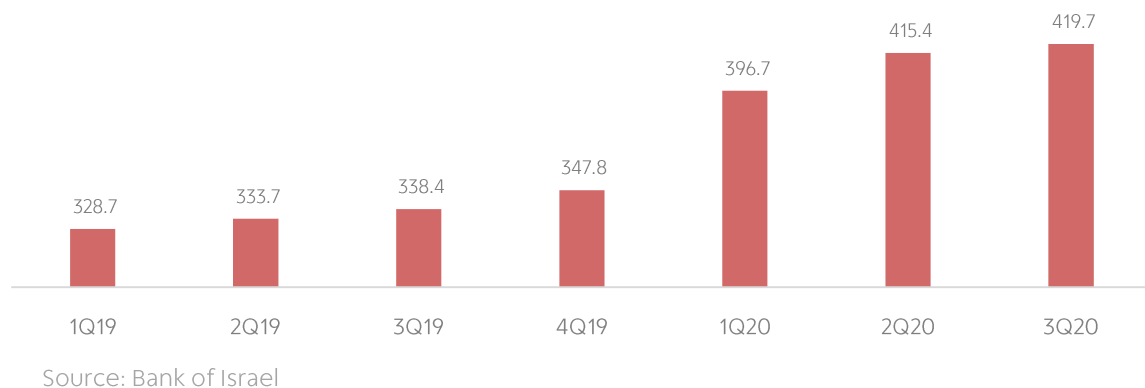
## Mortgage market continues to track strong

NIS millions, monthly average of executions



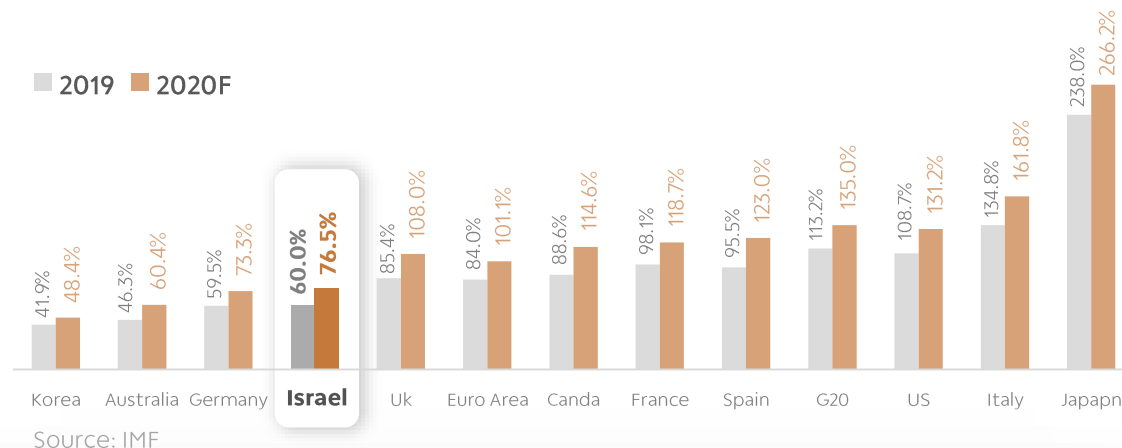
## Expansionary monetary policy pushed current account balances upwards

NIS billions



## Public debt increased, yet low vs advanced economies

% of GDP



## Low yields ease gov't funding

Israel 10 year gov't bond yield, %



3Q20

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## Resilient operating performance

NIS million

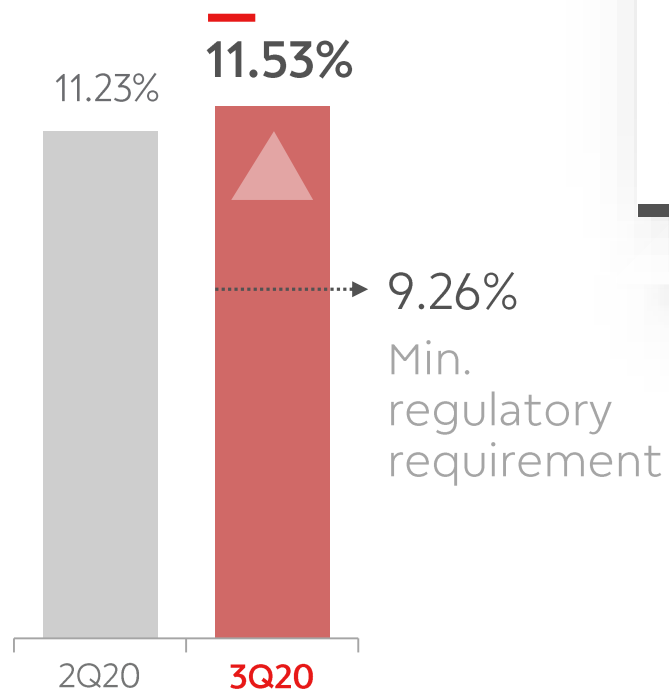
	3Q19	2Q20	3Q20
Total Net Financing Profit	2,341	2,359	2,536
Fees and Other Income	826	795	766
<b>Total Income</b>	3,167	3,154	3,302
Provision for Credit Losses	40	(1,128)	(193)
Operating and Other Expenses	(1,970)	(1,826)	(1,851)
<b>Profit before Taxes</b>	1,237	200	1,258
Provision for Taxes on Profit	(523)	(73)	(449)
<b>Net Profit</b>	736	133	816
<b>ROE</b>	7.6%	1.4%	8.8%

Note: For a full profit and loss analysis, please refer to the Bank's financial statements for 3Q20.

# 3Q20 7 | Fortress balance sheet

## Robust capital

CET1



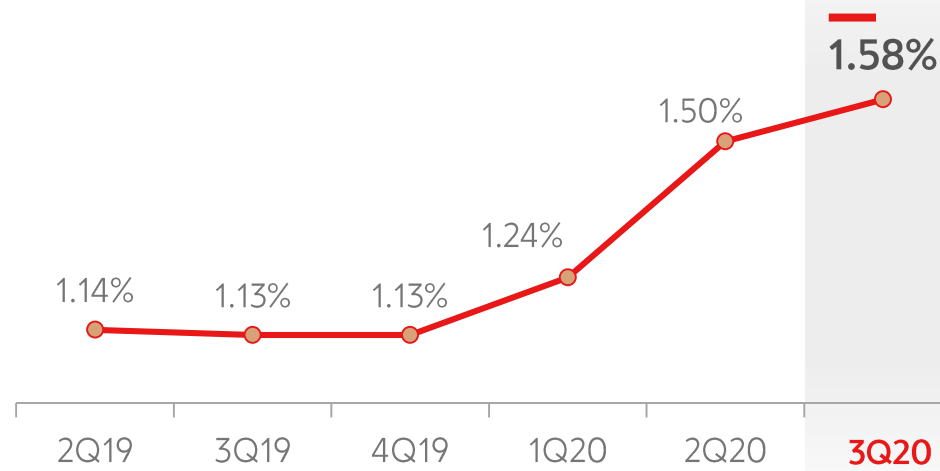
**6.9%**

Leverage ratio

Above revised  
reg. target of 5.5%

## Reserve build

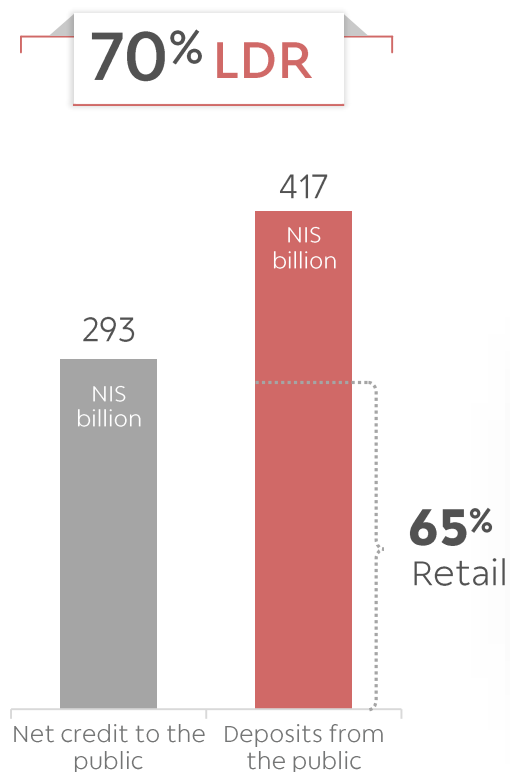
Collective allowance ratio\*



\* Collective allowance with respect to credit to the public as a percent of total credit, excluding impaired loans.

# 3Q20 8 | Fortress balance sheet

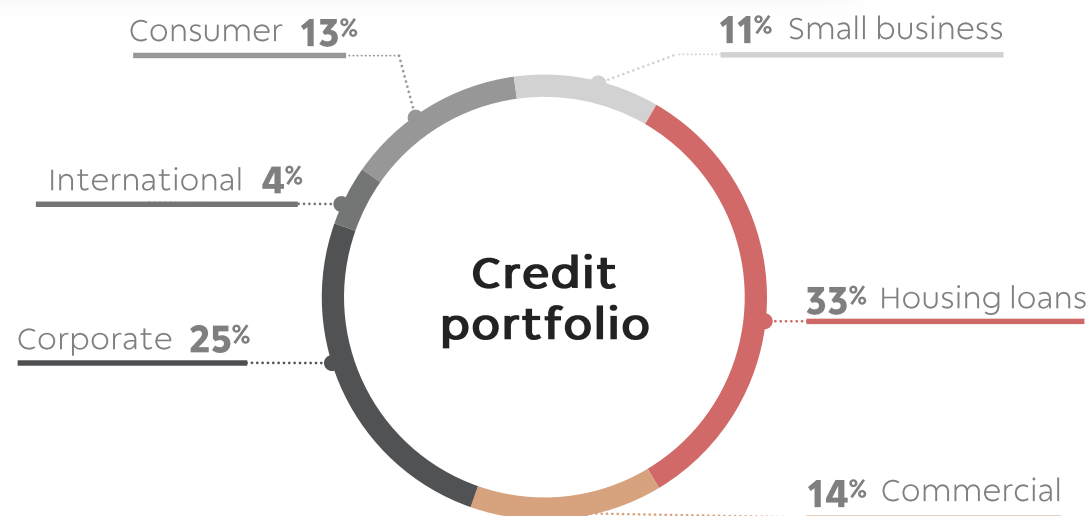
## Strong liquidity & funding



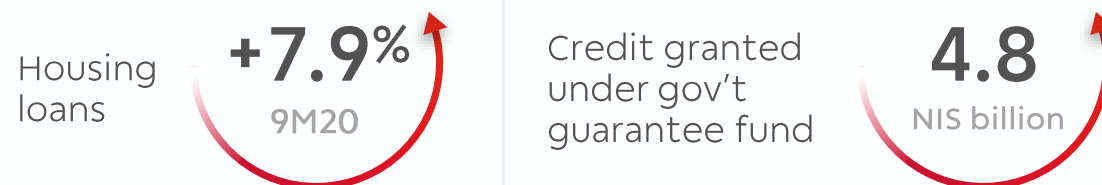
LCR

121% **FY19** → **132% 3Q20**

## Well diversified credit portfolio



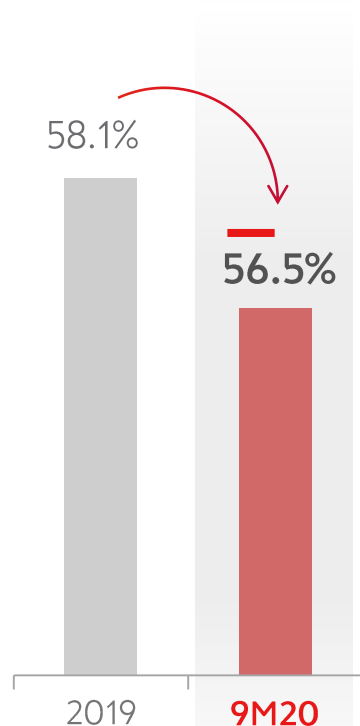
## Responsible credit growth



# 3Q20 | Continued focus on efficiency & digital

## Evaluating actions to structurally reduce the cost base

C/I ratio\*



\* Excluding special items

- Expediting fifth efficiency plan
- Streamlining of branch network
- Proposed consolidation of Bank's CBD HQ
- Cost reduction task force, sustaining continued investment in growth

## Enhancing multi-channel service provisioning

Digital and self service banking\*

> 80%



Digital account opening, vs 3Q19

~x3



By appointment only branch appearance  
October 2020

83%



Payment App downloads

4.9 million

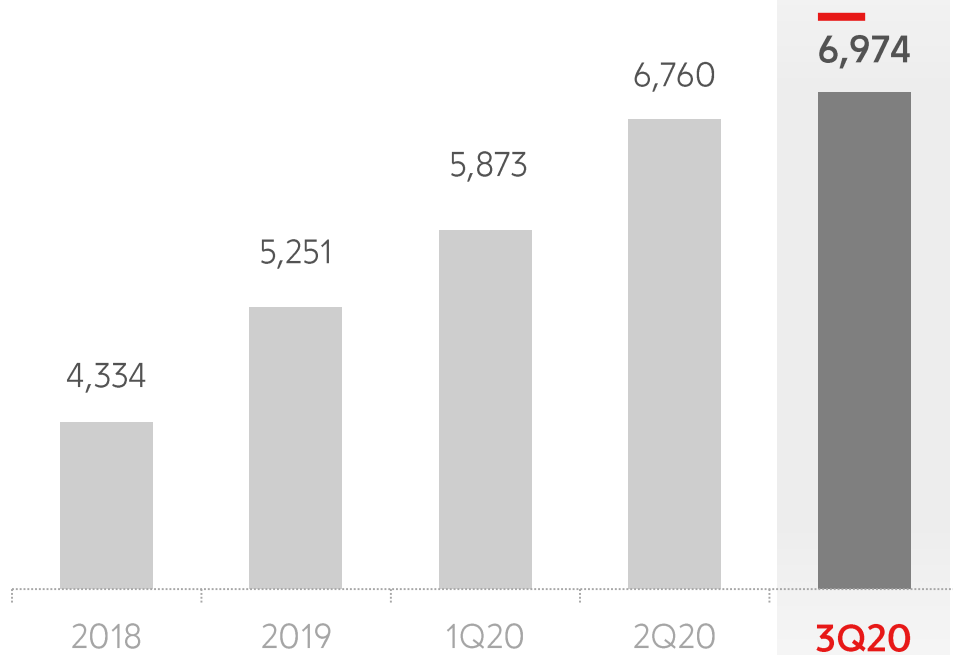


\* Refers to top six banking activities, not including cash transactions

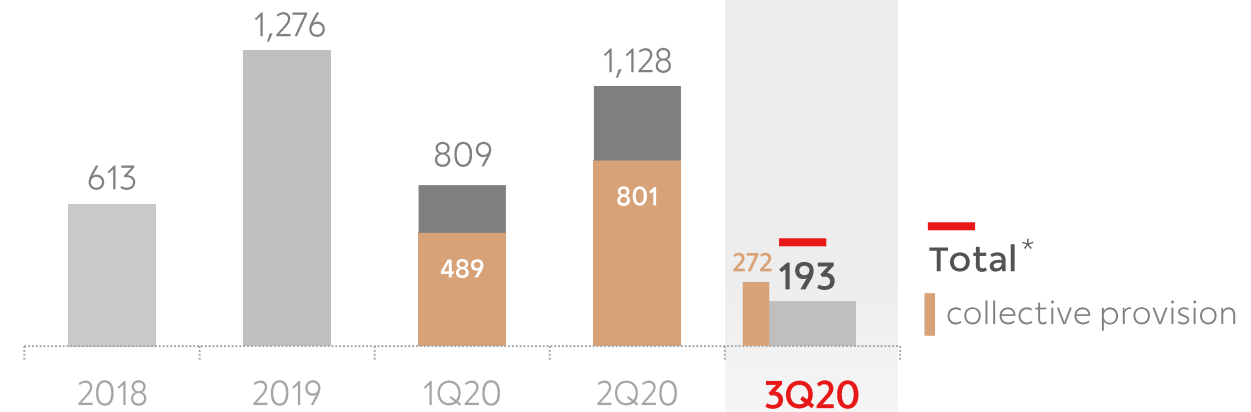
# 3Q20<sup>10</sup> | Robust reserve build allows lower provisions in Q3

NIS million

## Allowance for credit losses



## Provision for credit losses

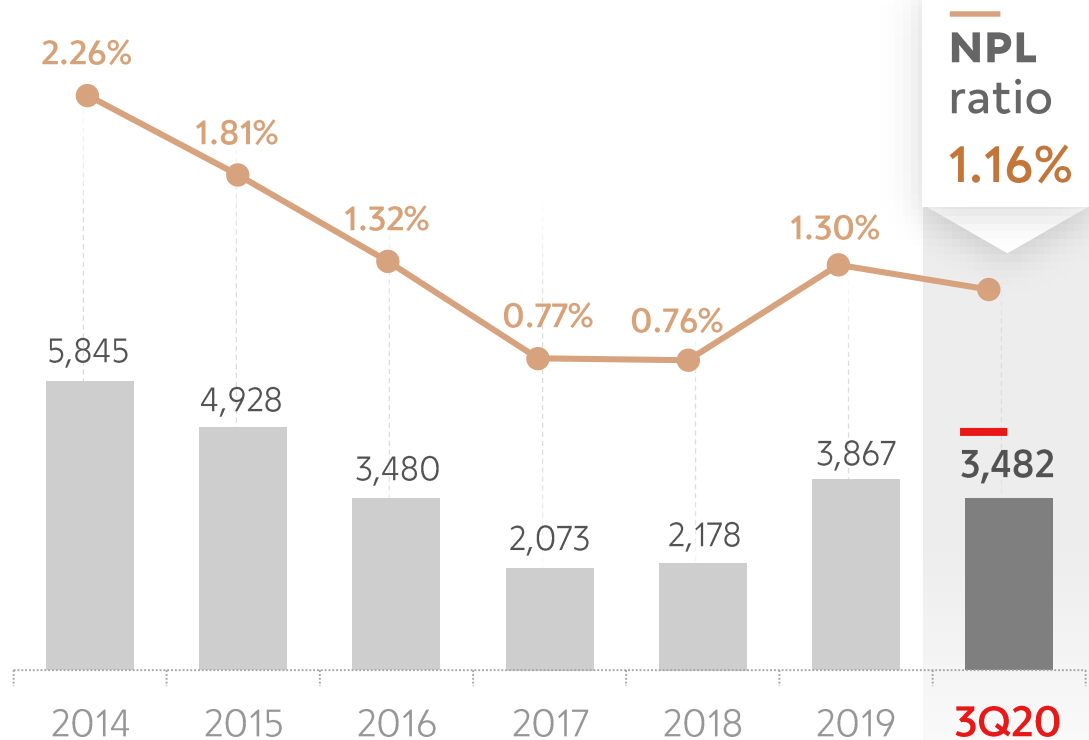


\* Total provision for credit losses includes collective and individual provisions, as well as net charge-offs

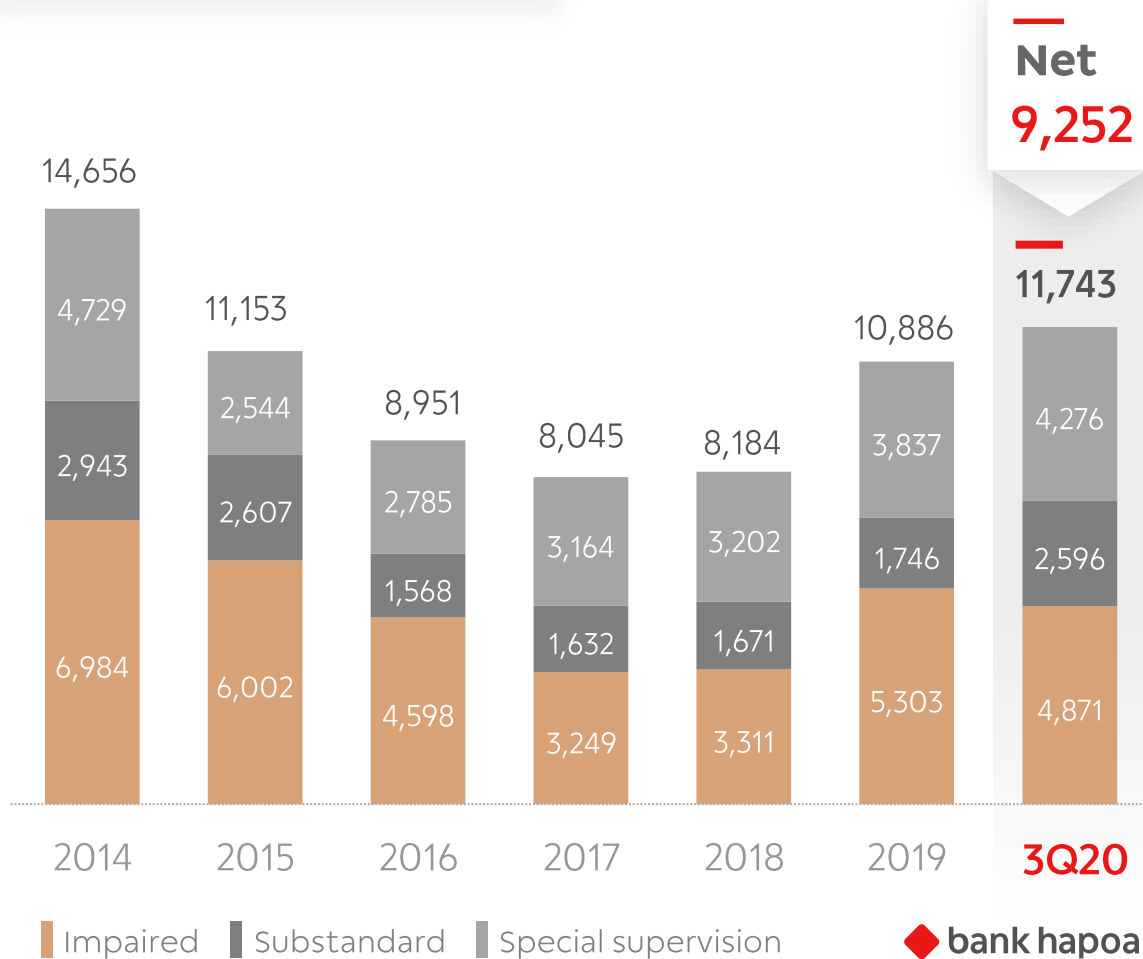
# 3Q20 <sup>11</sup> | NPL levels continue to track at relatively low levels

— NIS million

## NPL levels



## Problematic debt



3Q20

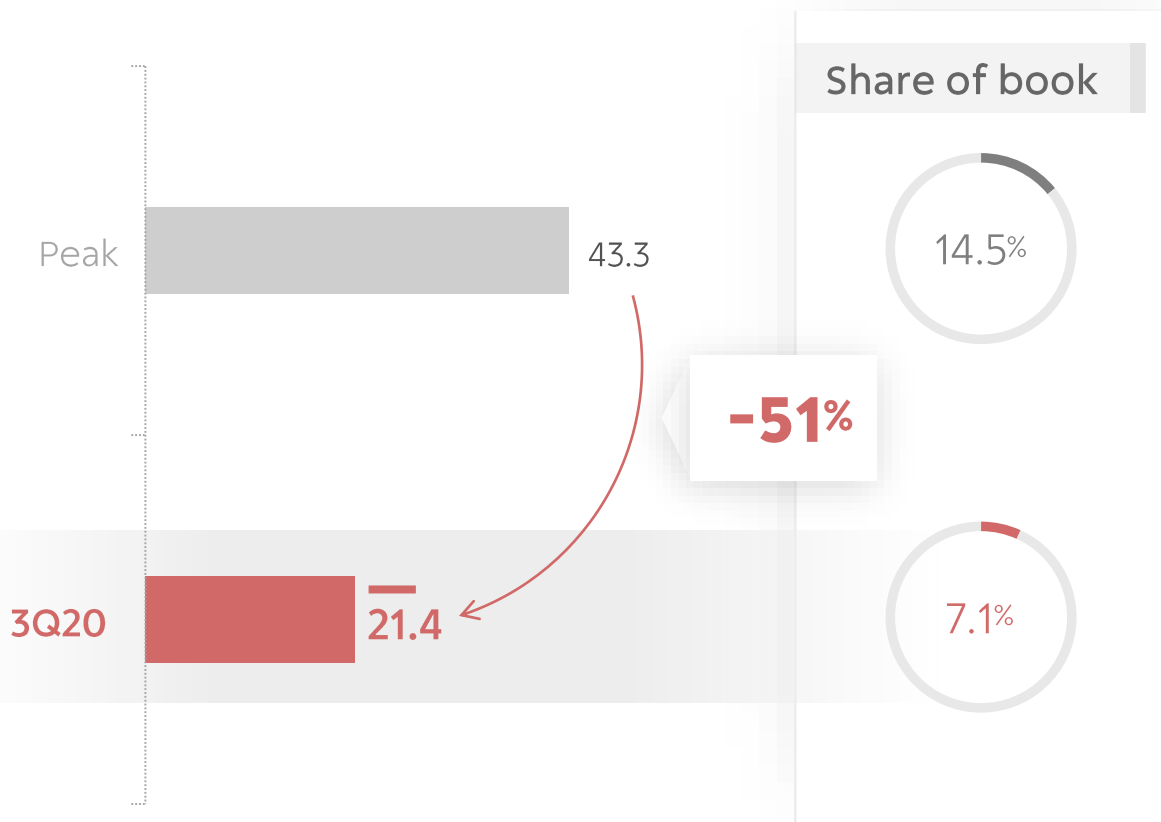
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# Sharp reduction in payment holidays

— NIS billion

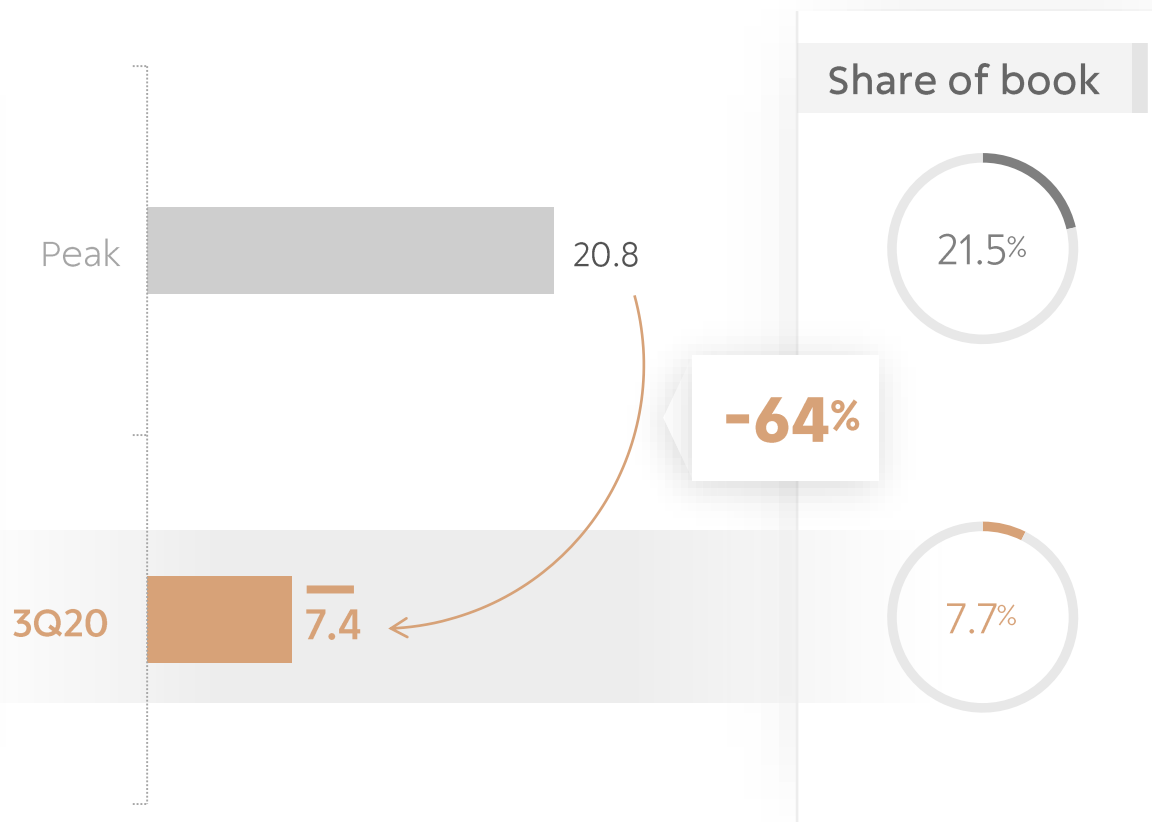
## Total

Total debt balance for which payment holidays were granted



## Mortgages

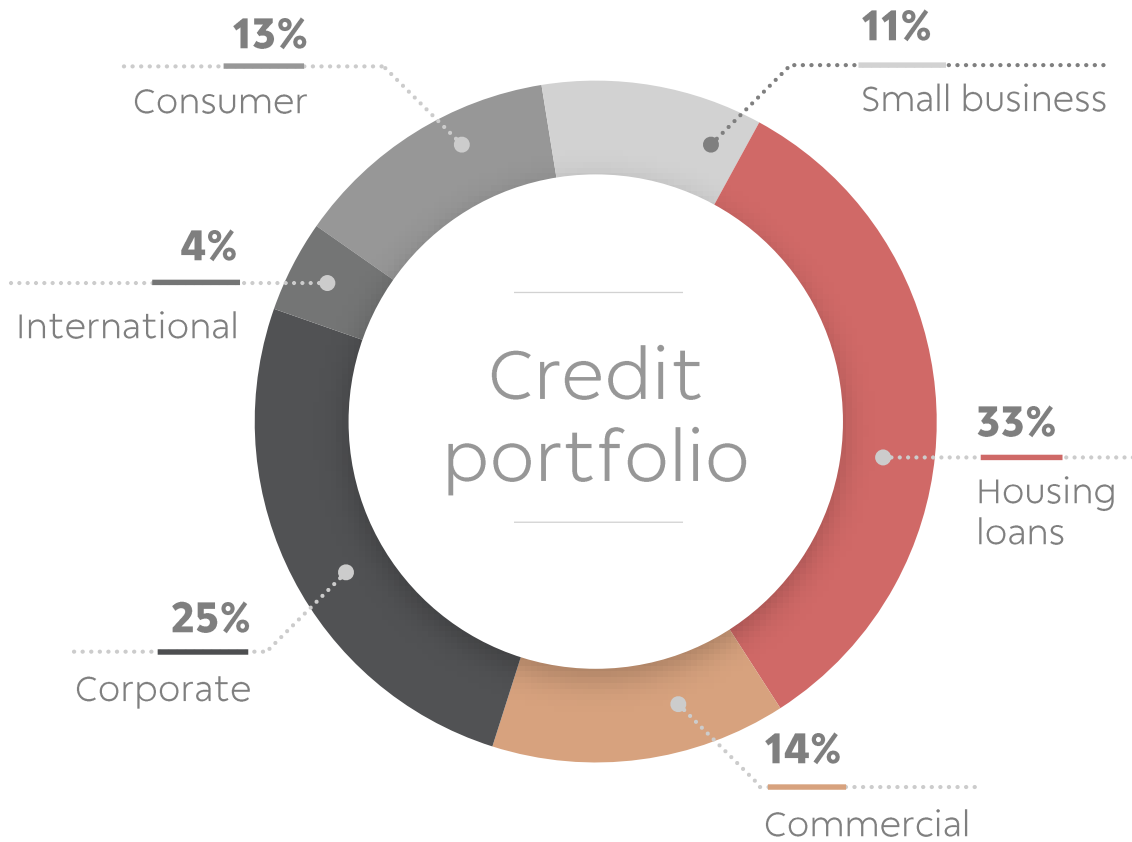
Debt of mortgage related balance for which payment holidays were granted



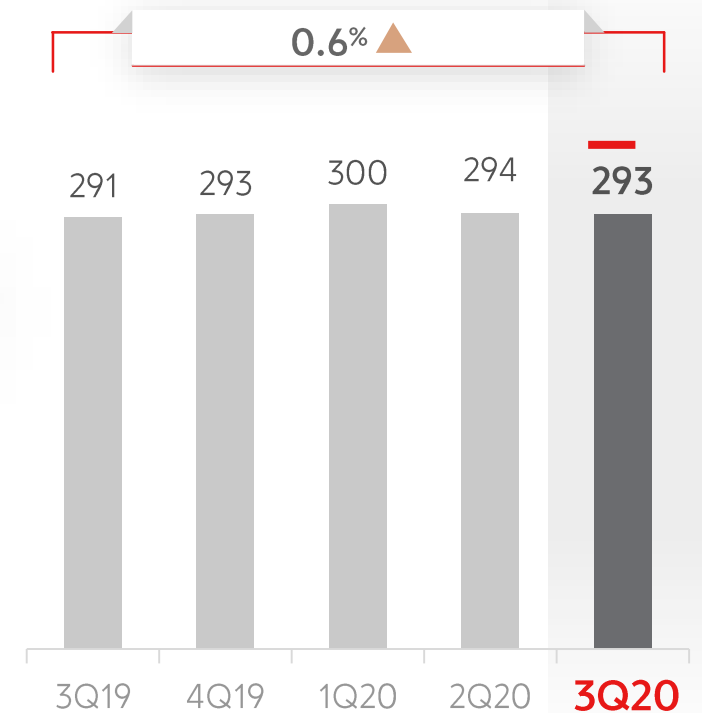
Peak refers to debts for which the payment deferral period has ended and debts in deferral at report date. 3Q20 data refers only to payments in deferral at the report date. Please refer to table 3-1 in the 3Q20 financial statement for full disclosure.

# 3Q20 13 | Highly diversified loan book

Net, NIS billion



Credit portfolio  
**293** NIS billion



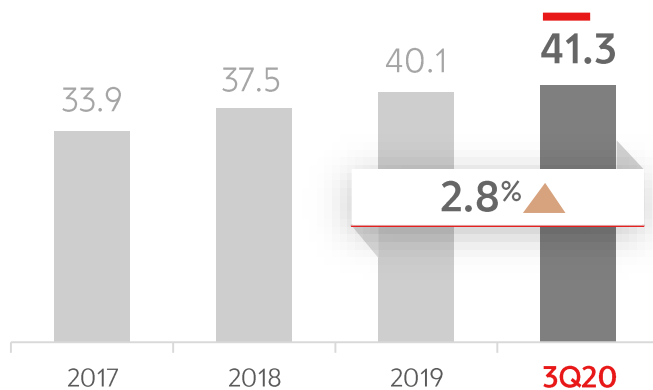
**3Q20**

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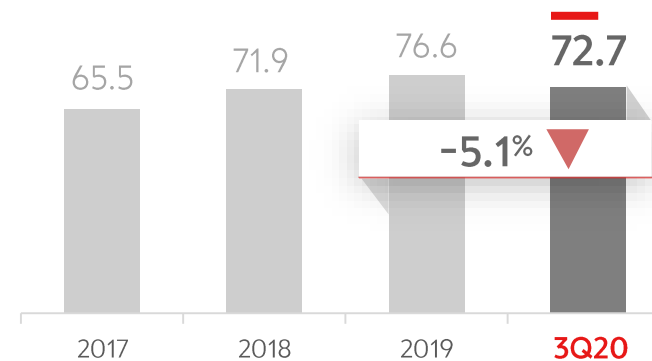
# Highly diversified loan book

In Israel, NIS billion

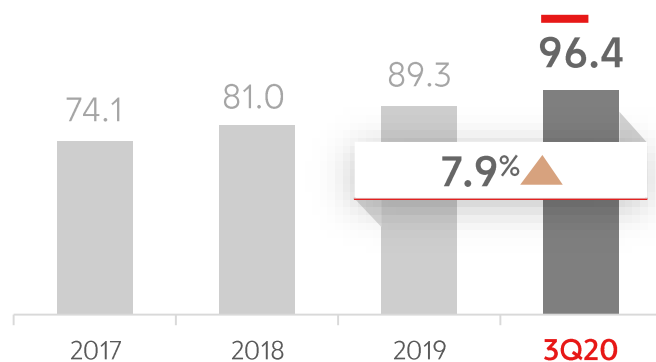
## Commercial



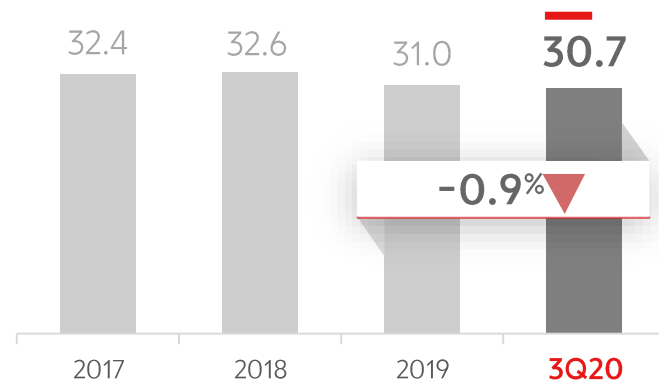
## Corporate



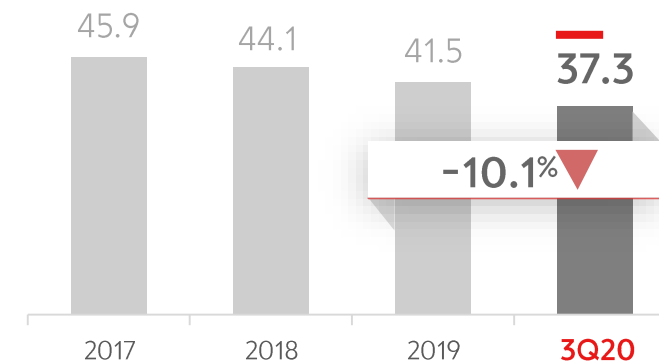
## Housing loans



## Small business



## Consumer



3Q20

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# Deposit base an important funding source

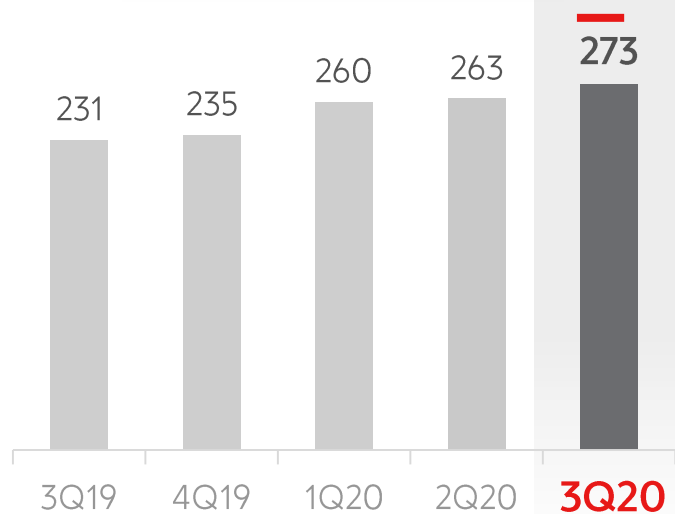
NIS billion



Deposit base  
**417** NIS billion

Retail deposits

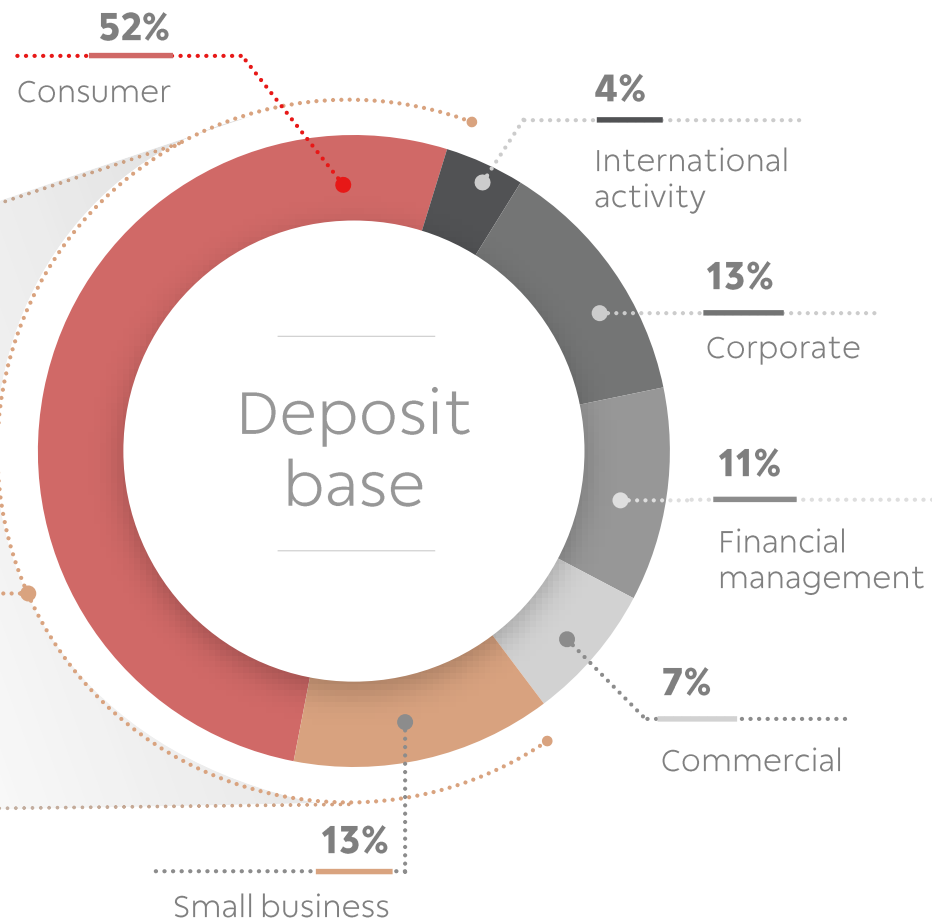
18.3% ▲



Largest retail  
deposit base  
in the sector

65%

Retail

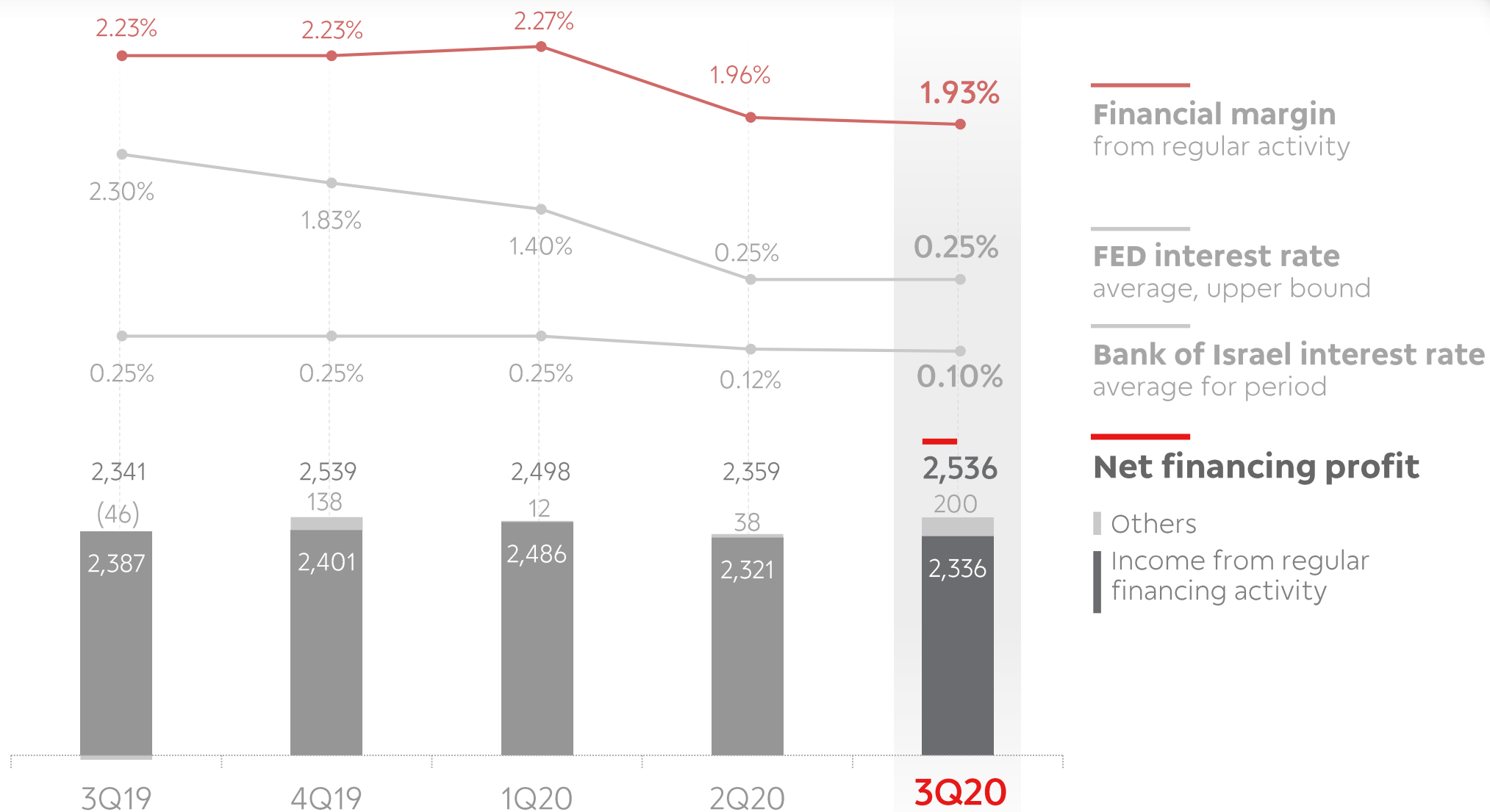


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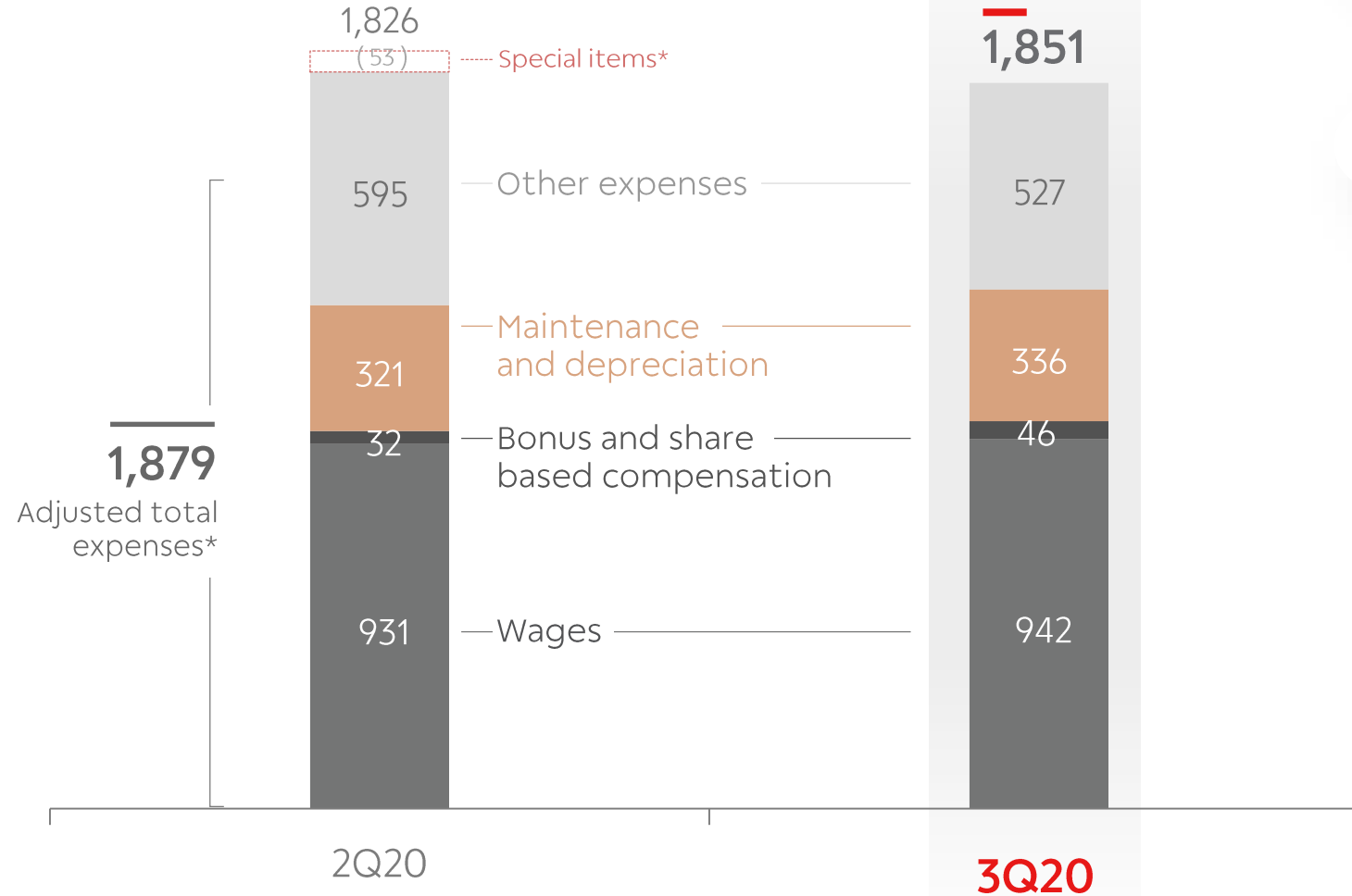
## FED and local rate reduction affecting margins

NIS million



# 3Q20 17 | Disciplined operating expenses

NIS million



\* Total expenses in 2Q20 exclude income of NIS 53 million of exchange rate differentials associated with provision made with respect to the investigation of the Bank Group's business with American clients.

3Q20

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# Robust capital buffers

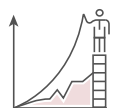
NIS billion

Total capital ratio

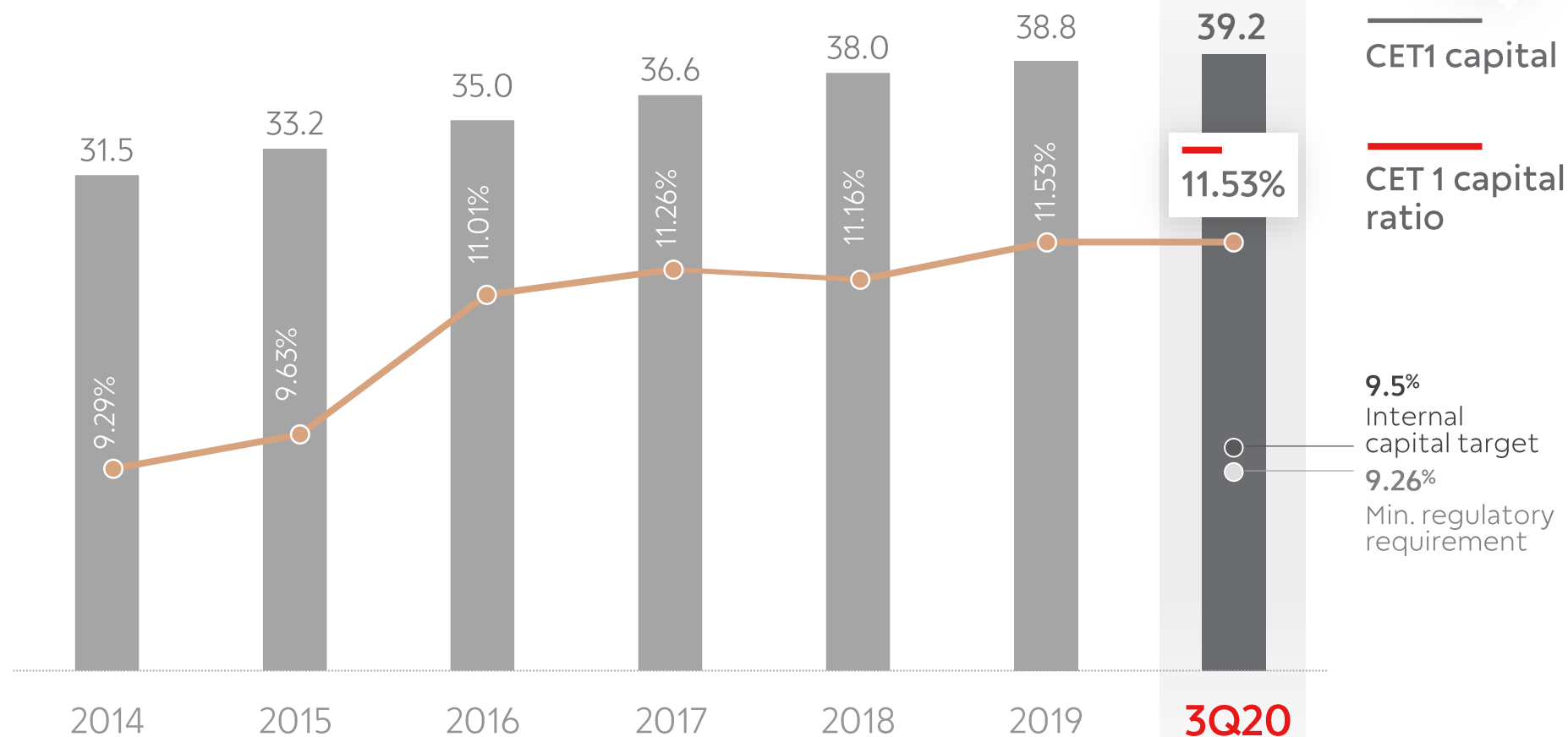


**14.7%**

Leverage ratio



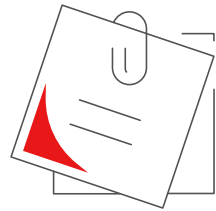
**6.9%**





3Q20

# Appendix



**3Q20**

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# Key balance sheet items

— NIS million, period ending

	2019	3Q20
Cash on hand and deposits with banks	88,122	128,421
Securities	59,486	67,835
Net credit to the public	292,940	292,845
Deposits from the public	361,645	417,005
Deposits from banks	3,520	3,280
Bonds and subordinated notes	26,853	24,724
Shareholders' equity	38,181	38,971
Total balance sheet	463,688	513,686

**Note:** For a full balance sheet analysis, please refer to the Bank's financial statements for 3Q20.



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