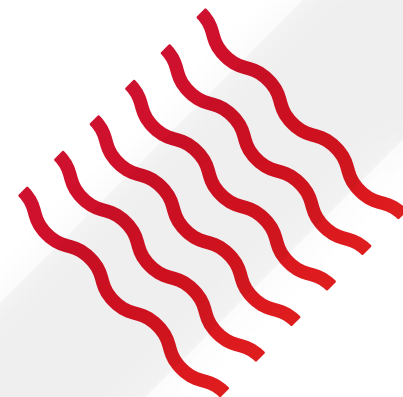


2020

 **bank hapoalim**

Annual Financial Review



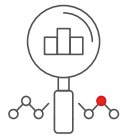
This presentation includes condensed information and selected data Bank Hapoalim's 2020 annual financial results.

This presentation does not substitute the Bank's 2020 Annual 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 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.

Special items in ROE and Net Profit refer to provision made in relation to the investigation of the US Authorities, the effect of the closure of the Bank's private banking activities overseas, loss/profit from the separation from Isracard, and loss from impairment relating to Bank Pozitif. Special items in Expenses refer to provision made in relation to the investigation of the US Authorities (including exchange rate differentials), and the effect of the closure of the Bank's private banking activities overseas.

2020 | Key observations



**Well
fortified**
balance sheet



Proactive
through the
crisis



Resilient
operating
performance



**Asset
quality**
trends encouraging



**Business
momentum**
healthy in 4Q

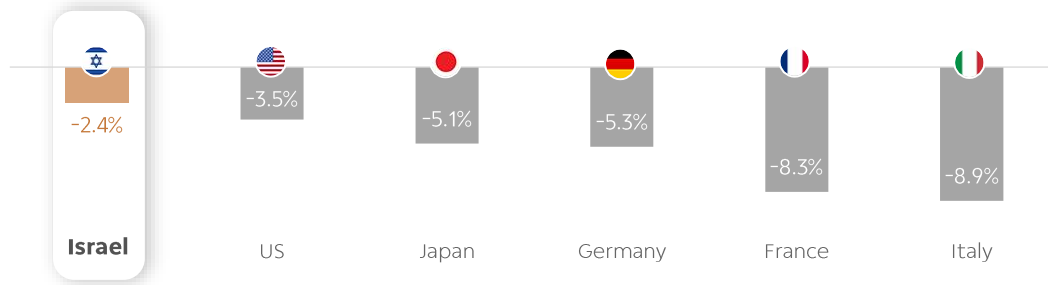


**Cautious
optimism**
for 2021

2020 | Israel and COVID-19: Recapping 2020

Relatively low impact on GDP

GDP annual rate of change, 2020



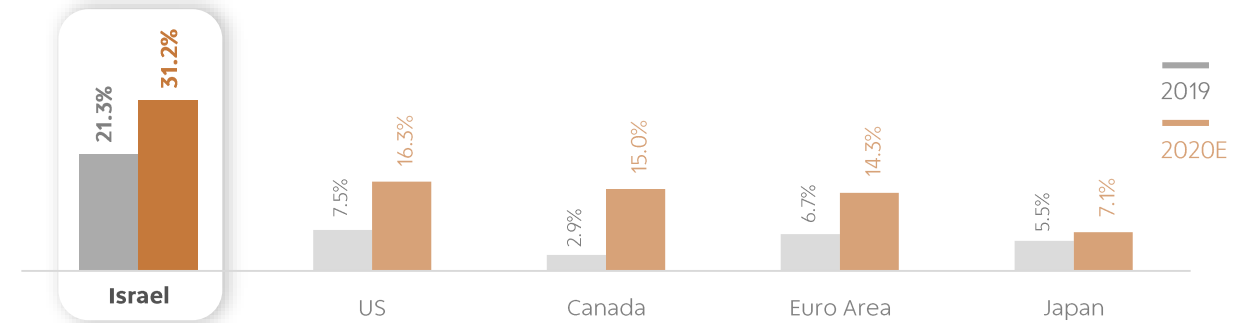
Source: Individual country data

GDP drop was lower than preliminary expectations on the back of several factors:

- ◆ Favorable initial conditions
- ◆ Strong high-tech sector
- ◆ Closing of the skies contributed to domestic consumption
- ◆ Expansionary fiscal and monetary policy

High private saving was a cushion to private consumption

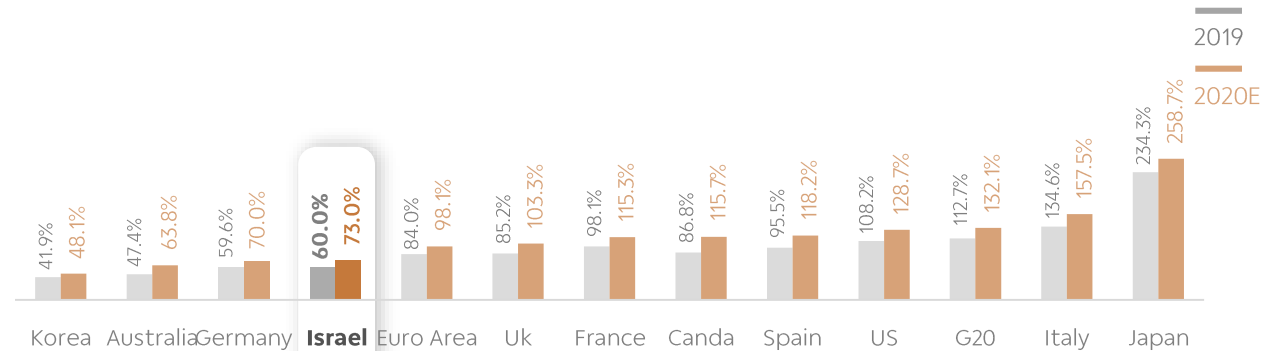
Personal saving as a percentage of disposable personal income



Source: OECD, individual country data

Public debt increased, yet low vs. advanced economies

Public debt as a percentage of GDP



Source: IMF

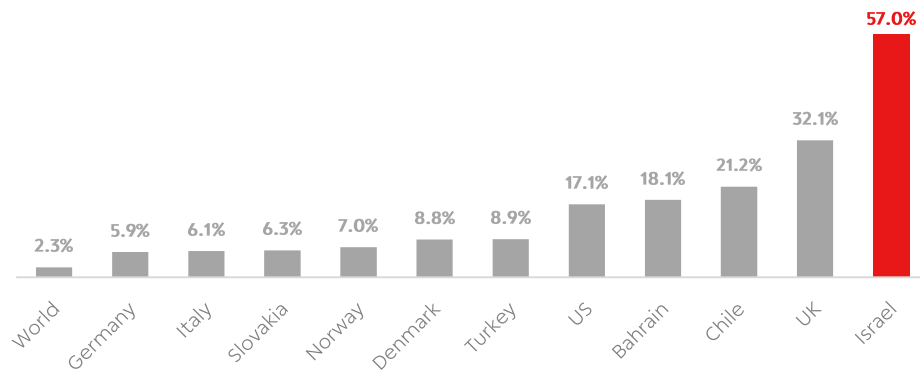
2020 | Israel and COVID-19: A look ahead

Cautious optimism as we look at 2021

- ◆ High pace of vaccination paved the way to reopen the economy
- ◆ Commodity prices and local supply factors expected to gradually increase inflation
- ◆ Shekel yield curve on par with global trends, and is now steeper

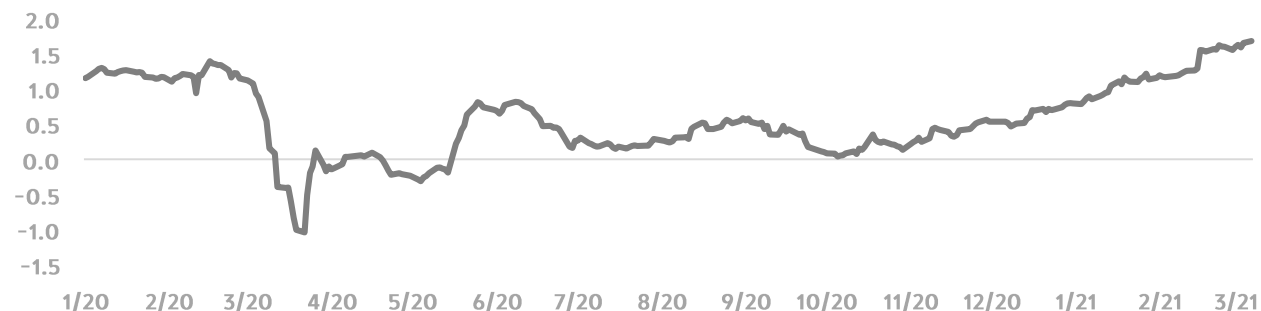
Leading the world in vaccination

Share of population received at least one dose (as at 6 March, 2021)



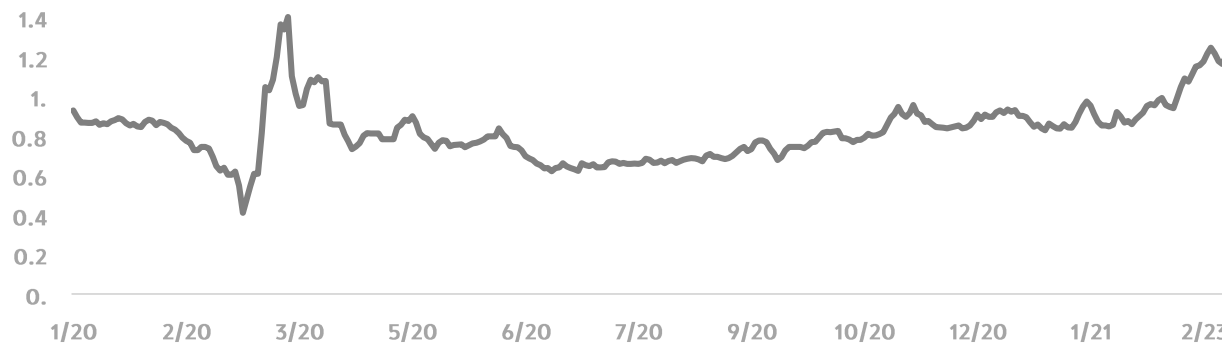
Inflation is rising, though still in negative territory

Two-year breakeven inflation



Steeper curve, monetary expansion here to stay

10-year government bond yield



2020 | Strategic pillars

2020 (vs. 2019)



Strength

11.52% 228 bps
CET1 ratio above reg. req.

140% (+19 pp)
LCR



Profitability

5.3% / **9.6%**
2020 ROE / 4Q20 ROE

56.7% (-140 bps)
Efficiency ratio*



Growth

3.0% NIS 302 bn
Credit to the public

NIS 5.7bn (+3%)
Net operating profit**



Credit quality

1.04% (-26 bps)
NPL ratio

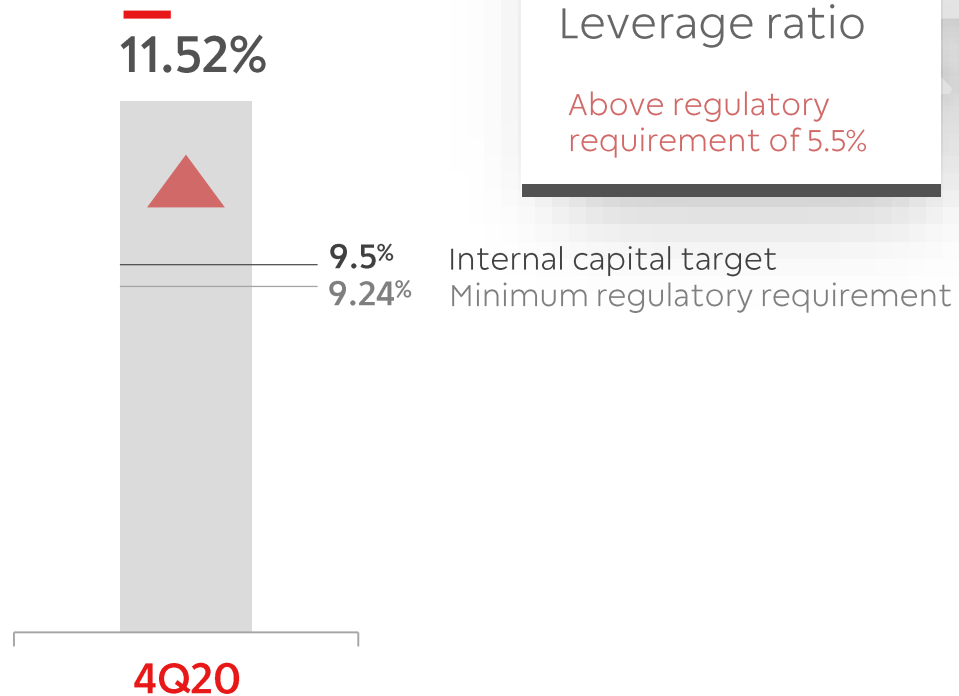
216% (+80 pp)
NPL coverage ratio

2020 | Strong parameters support fortress balance sheet



Robust capital

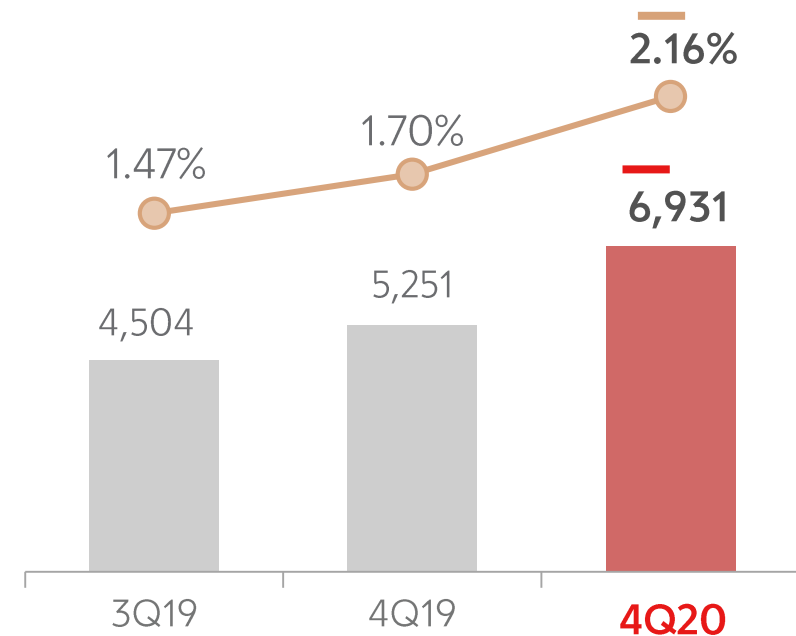
CET1



Reserve build

Allowance for credit losses

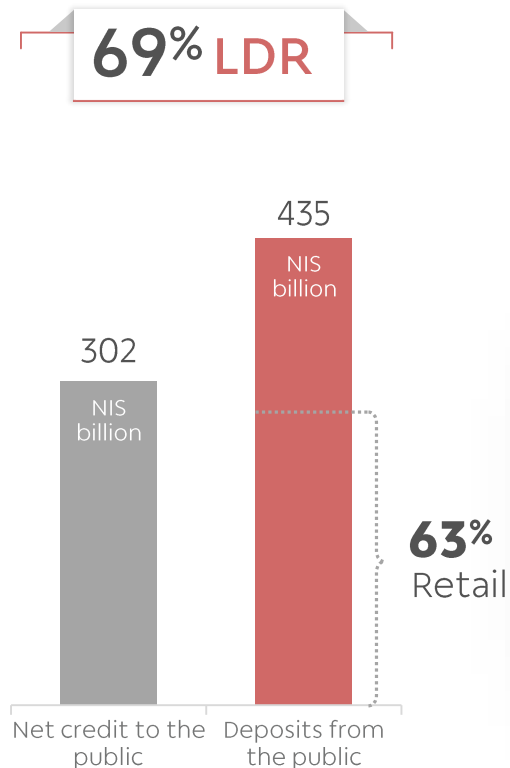
Balance (NIS million), Ratio*(%)



2020 | Strong parameters support fortress balance sheet



Strong liquidity & funding



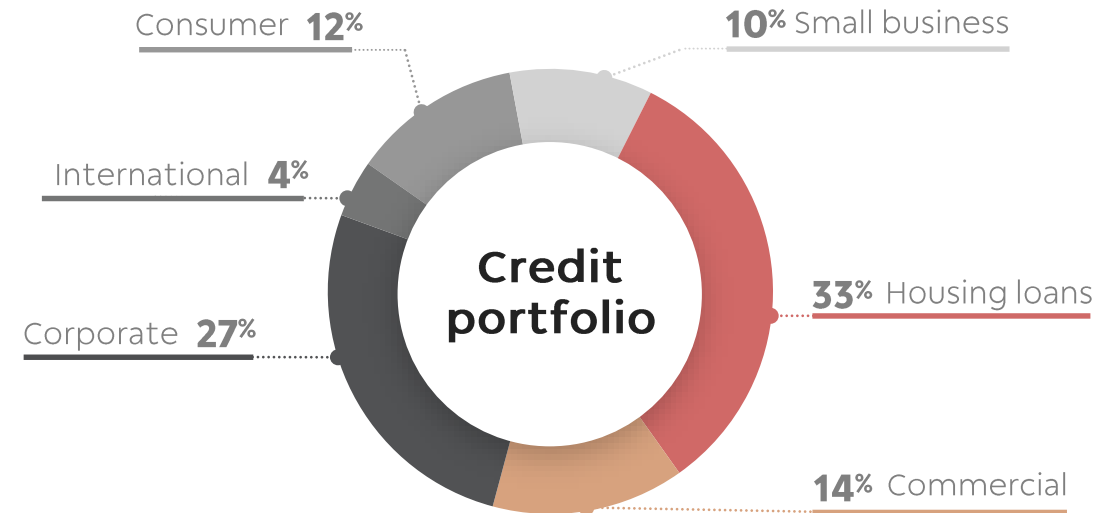
LCR

121%
4Q19



140%
4Q20

Well diversified credit portfolio



2020 | Resilient revenue despite challenging environment

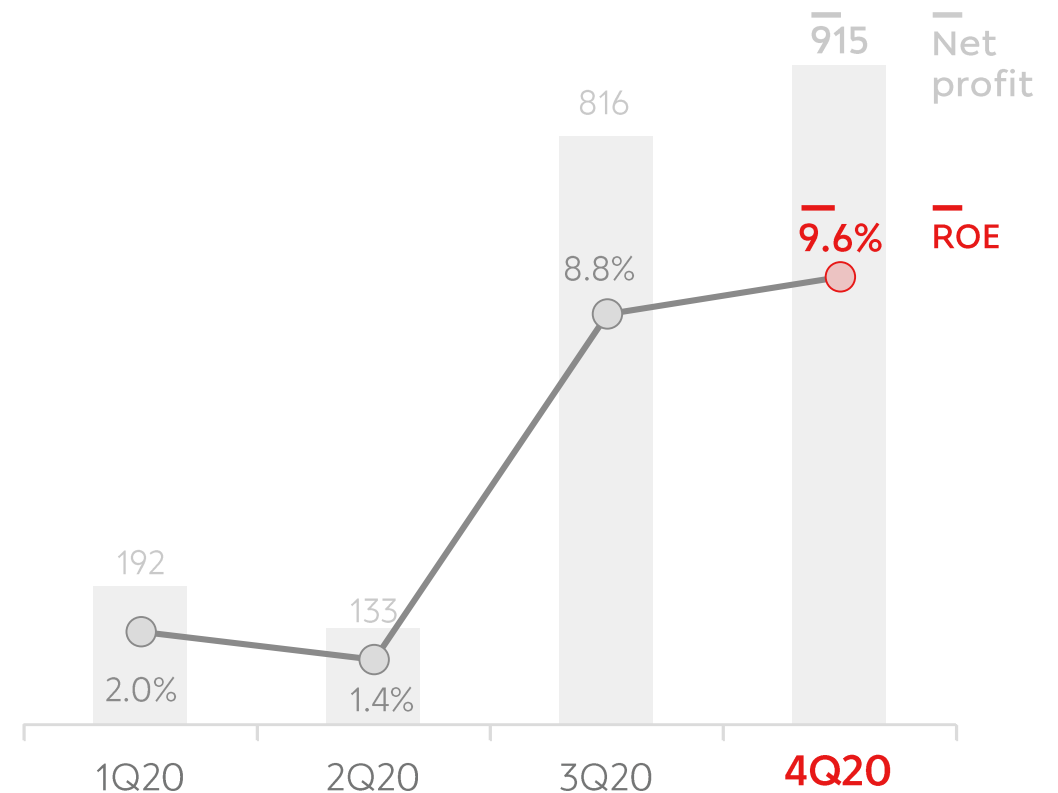


NIS million

P&L highlights

	2020	Vs. 2019
Total net financing profit	9,885	0.1%
Fees and other income	3,291	-1.2%
Total income	13,176	-0.2%
Operating and other expenses	(7,501)	-14.5%
Net operating profit	5,675	28.0%
Provision for credit losses	(1,943)	52.3%
Profit before taxes	3,732	18.3%
Net profit*	2,056	14.3%
ROE*	5.3%	4.6%

Net profit & ROE

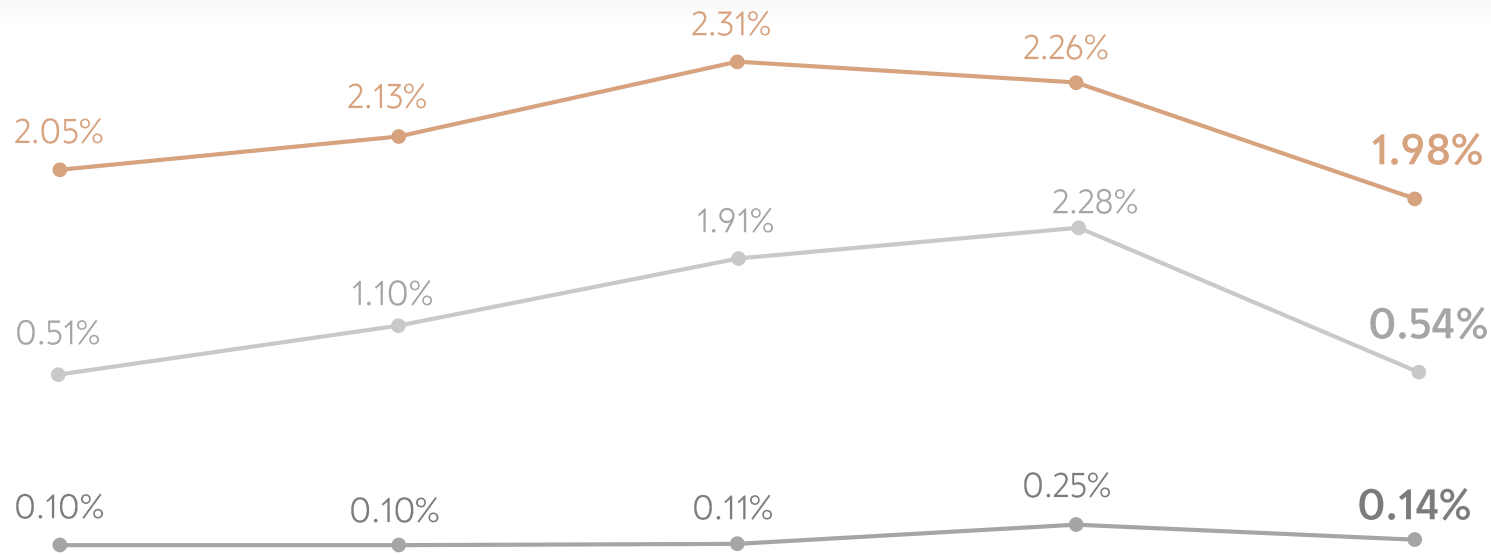


* Excluding special items, net profit totaled NIS 2,205 million (ROE of 5.7%) in 2020 and NIS 2,778 million (ROE of 7.1%) in 2019. For a full profit and loss analysis, please refer to the Bank's financial statements for FY20.

2020 | Solid income, margins impacted by deposit level & rates



NIS million



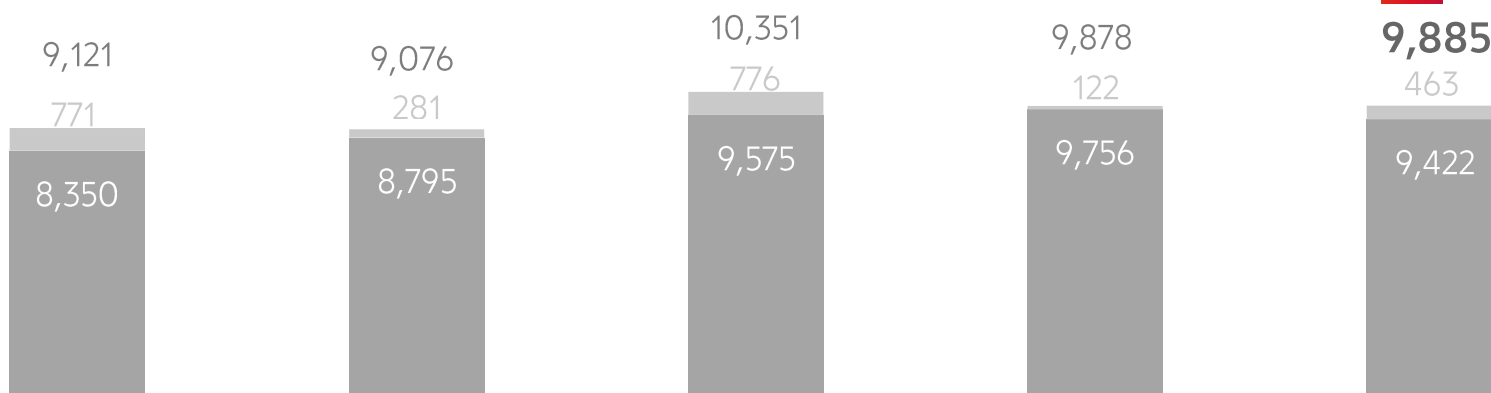
Margins impacted by increased deposits & low rate environment

Financial margin
from regular activity

FED interest rate
average, upper bound

Bank of Israel interest rate
average for period

Net financing profit



Others
Income from regular financing activity

2016

2017

2018

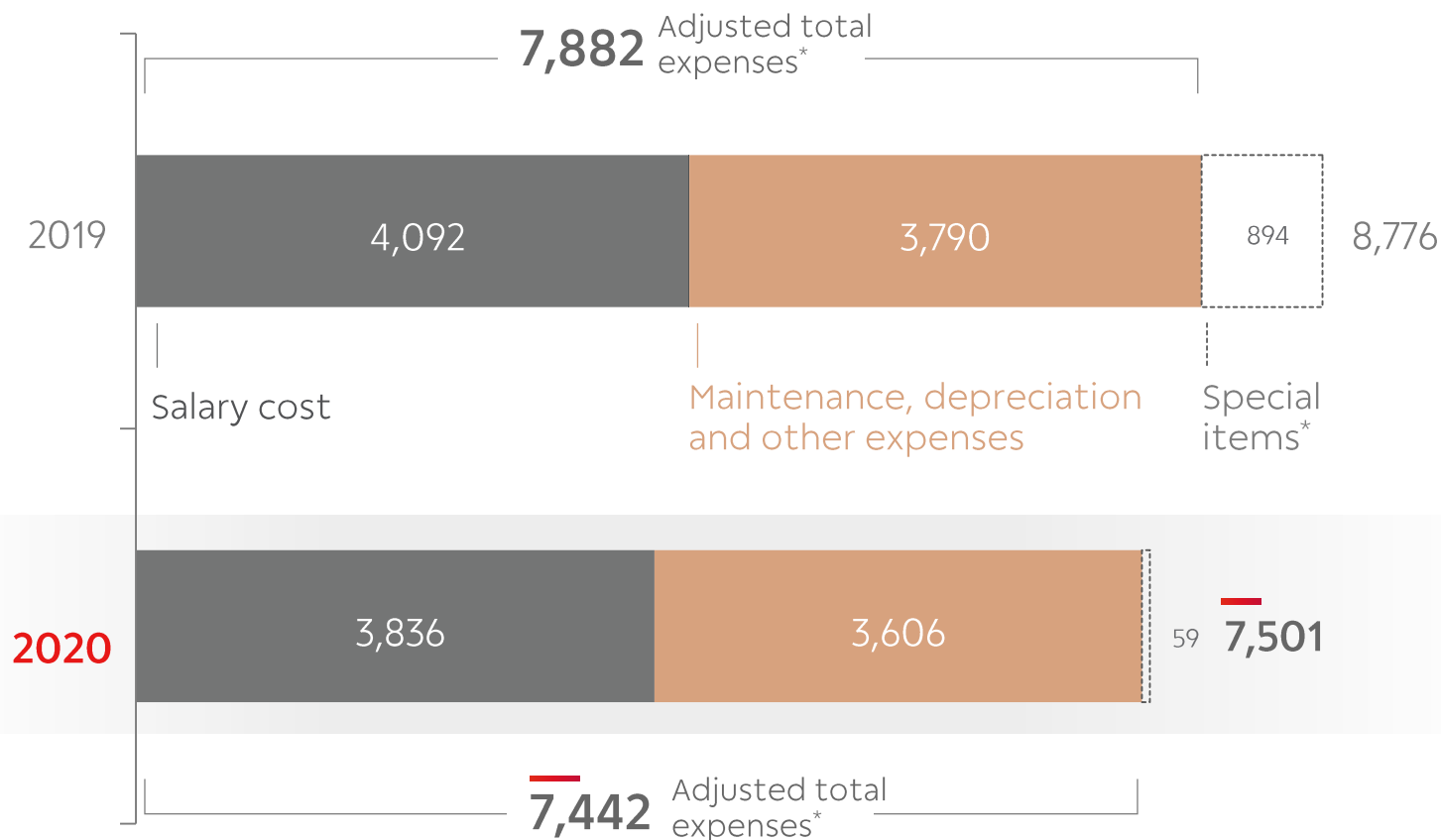
2019

2020

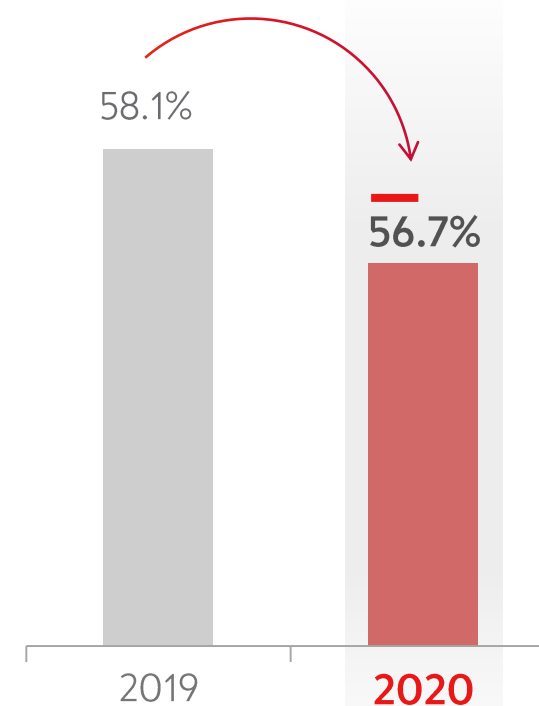


2020 | Operating expenses

NIS million



Cost income ratio*



* Adjusted total expenses and cost income ratio exclude special items. Adjusted data for 2019 include NIS 210 million cost of wage agreement, and NIS 406 million (compared with NIS 108 million in 2020) of legal and other expenses associated with US investigation.

2020 | Broad efforts to structurally reduce the cost base

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

2020 (vs. 2019)



Headcount

-401 (-4.4%)
employees



Branch network

-26 (-12.1%)
branches



Commercial space

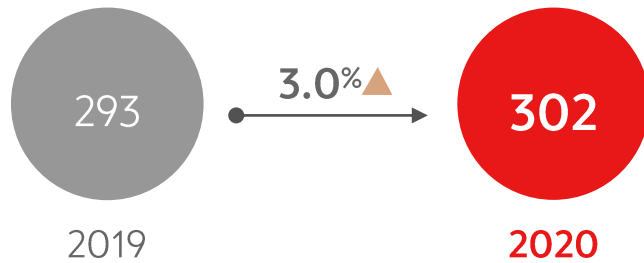
-6% (-19k sqm)



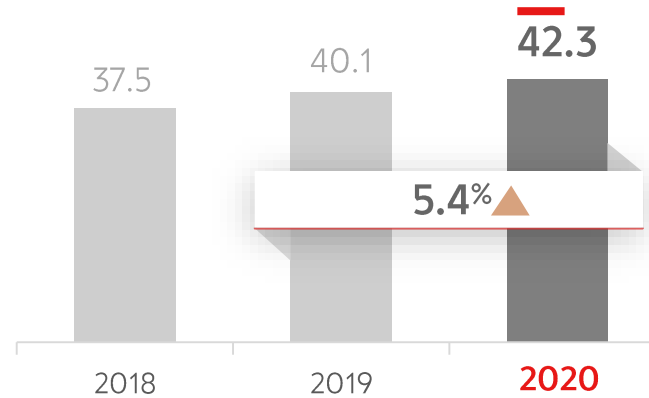
2020 | Solid and diversified growth strategy

In Israel, NIS billion

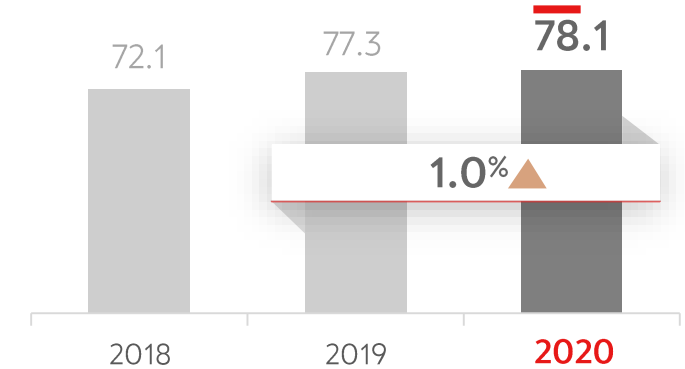
Total credit



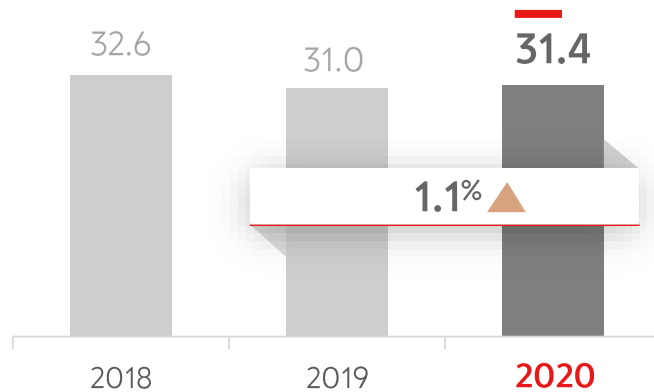
Commercial



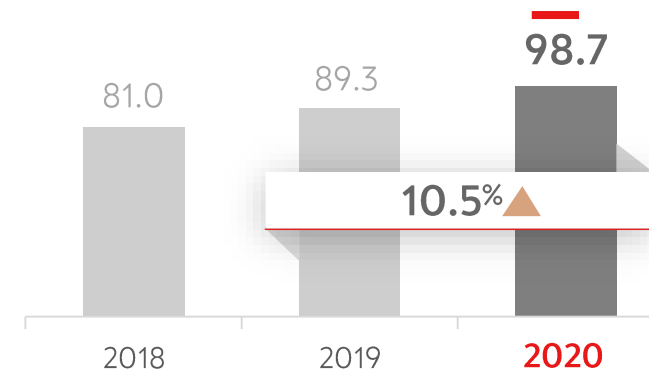
Corporate



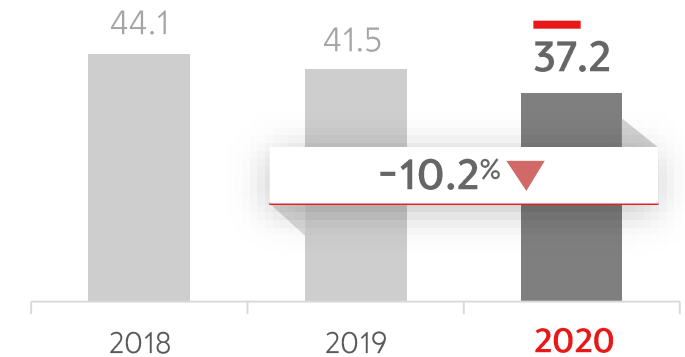
Small business



Housing loans



Consumer





2020 | Deposit base an important funding source

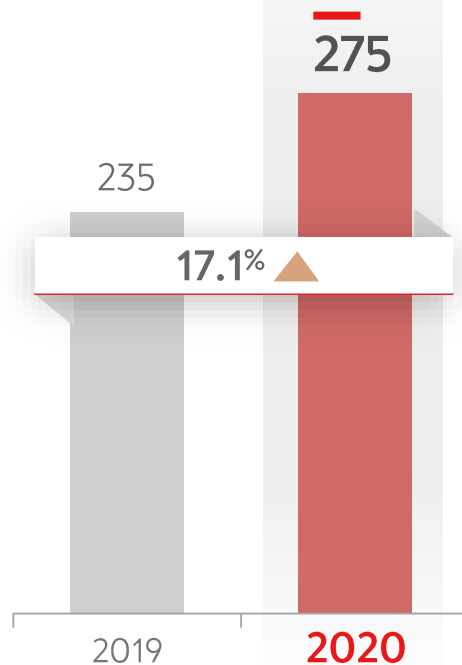
NIS billion



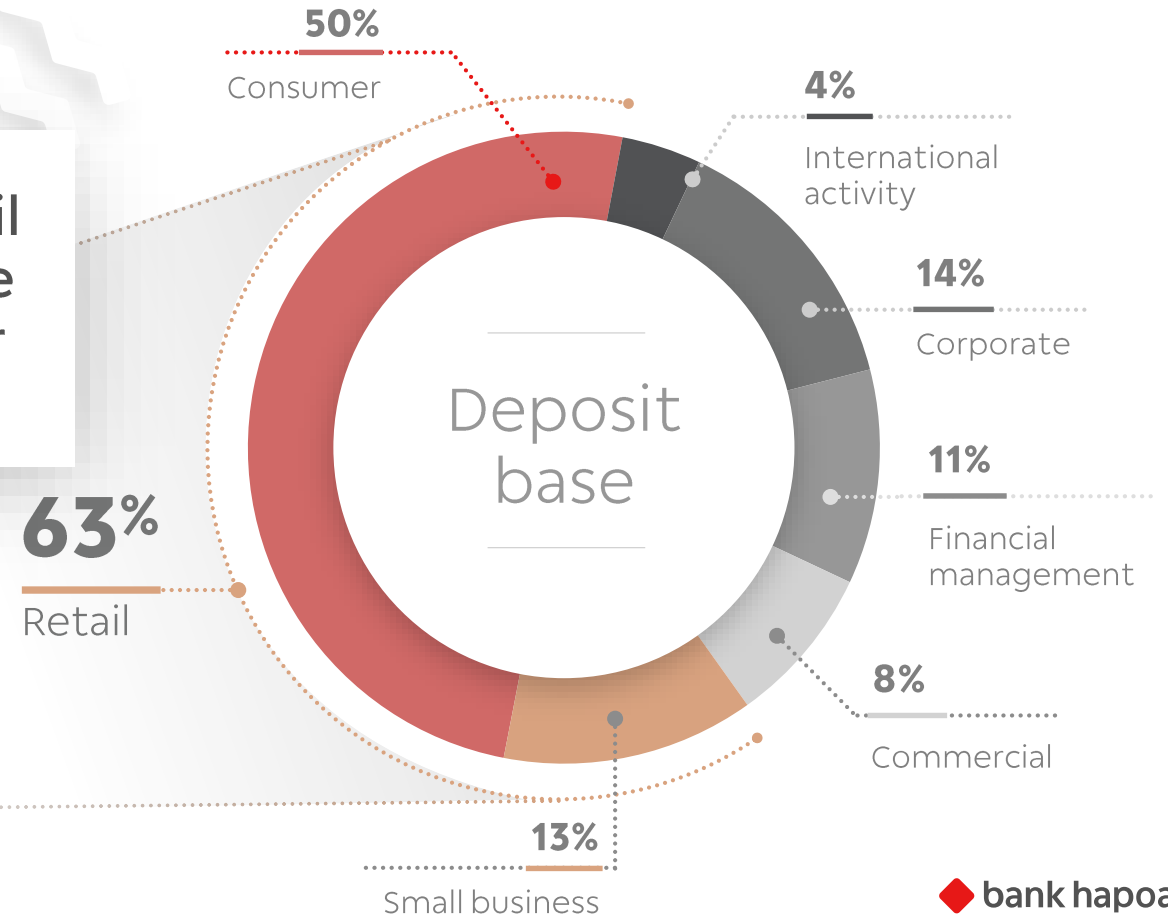
— Deposit base

435 NIS billion

Retail deposits



Largest retail deposit base in the sector

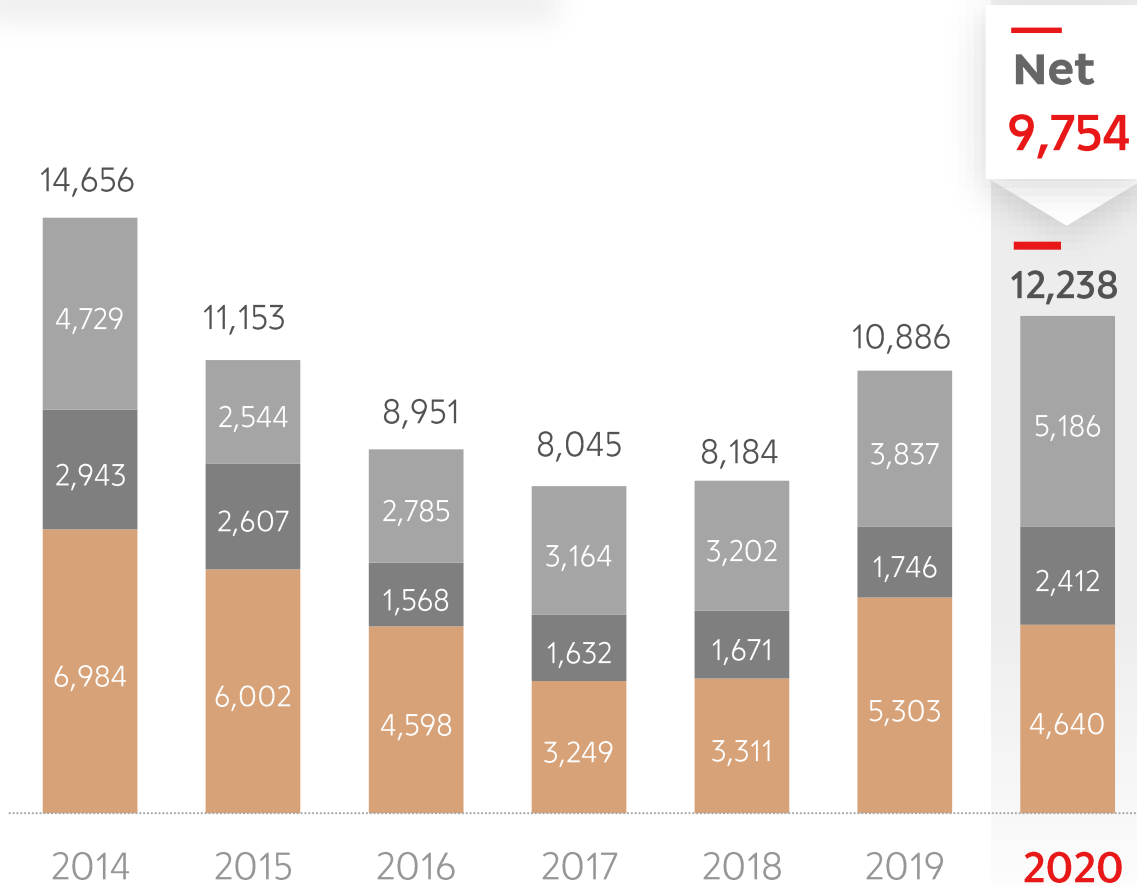


2020 | Asset quality trends encouraging

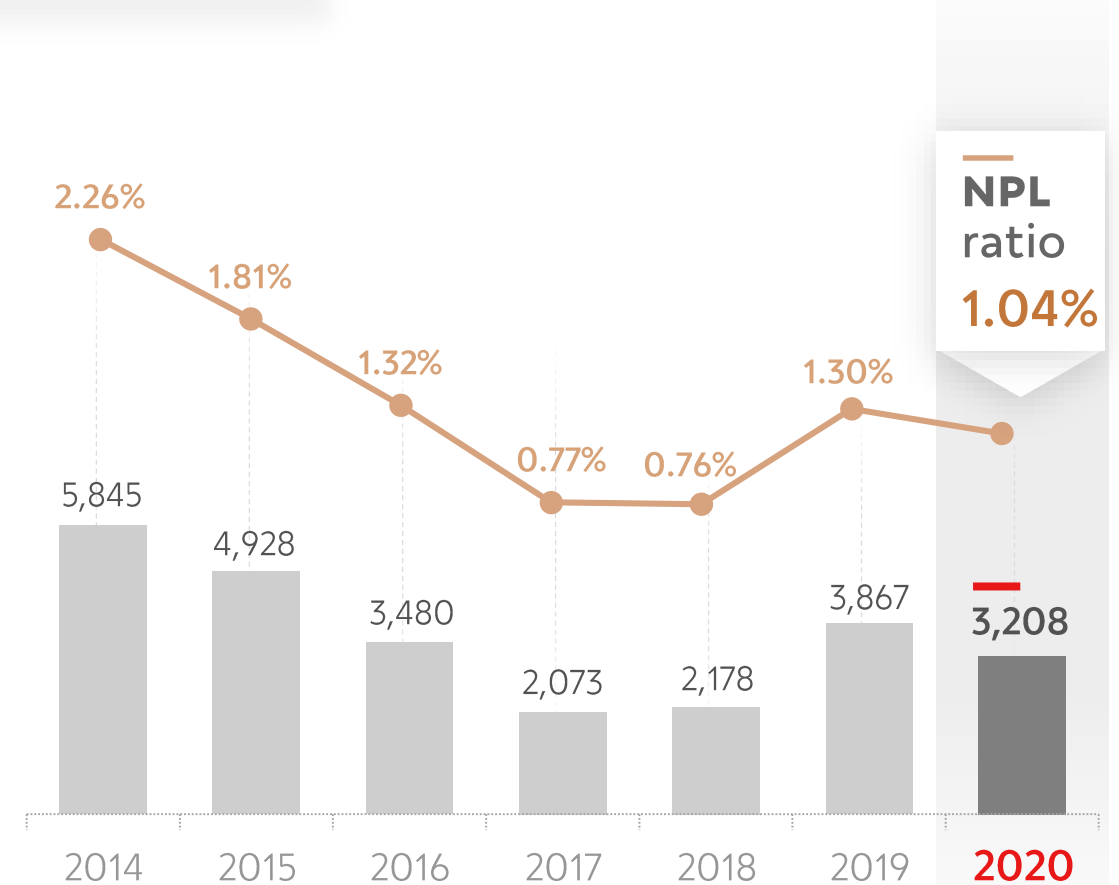


NIS million

Problematic debt



NPL levels

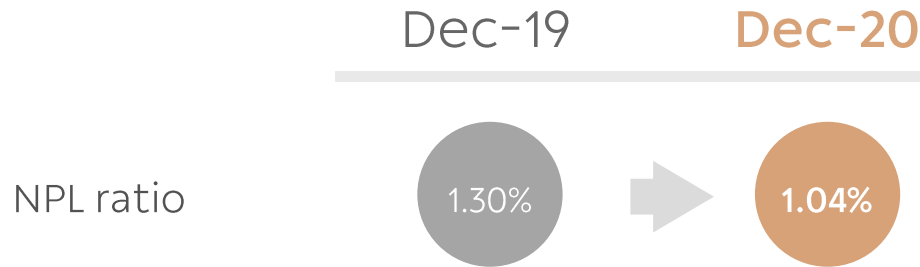


2020 | Asset quality trends encouraging



NIS million

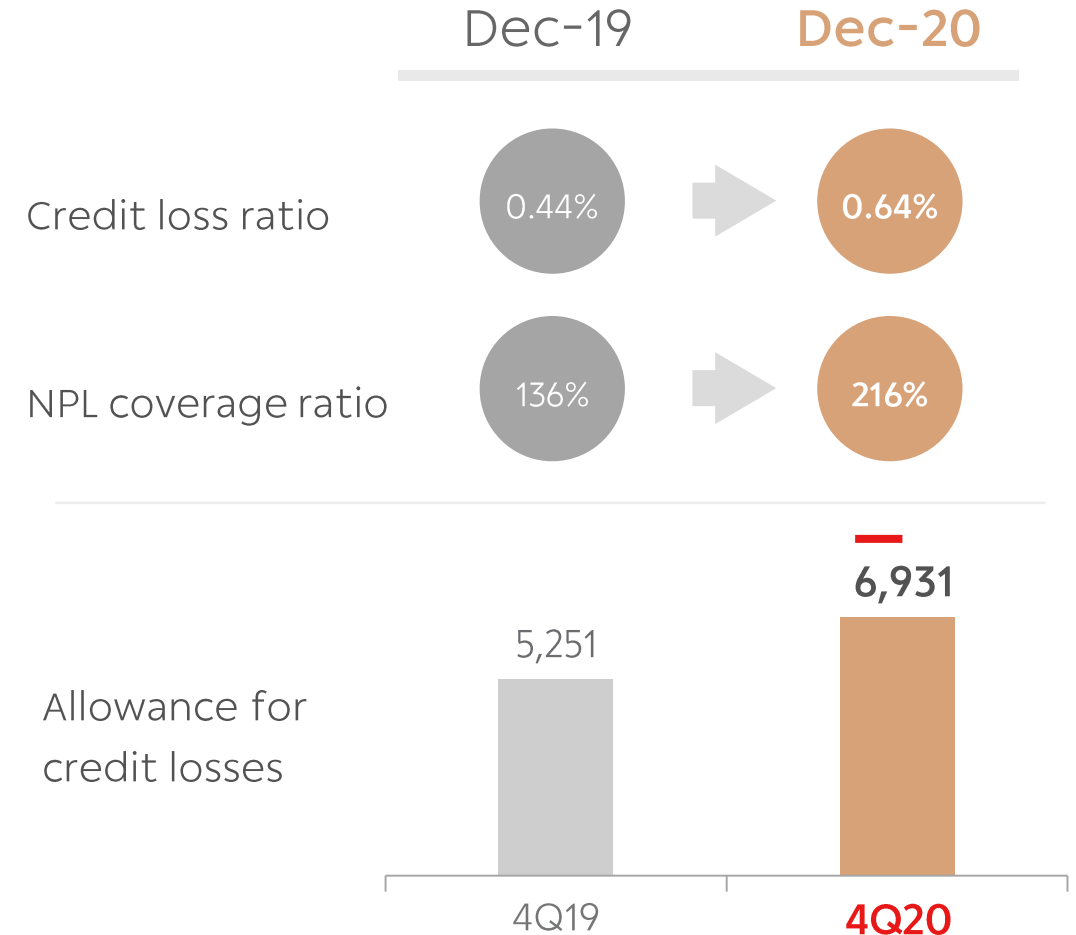
Credit quality indicators



Balance of deferred loans*

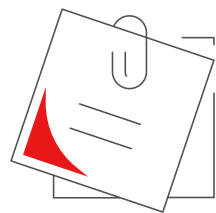


* Data for June 2020 includes debts for which payment deferral period has ended





Appendix



2020 | Key balance sheet items

NIS million

Year ended	2019	2020
Cash on hand and deposits with banks	88,122	138,711
Securities	59,486	71,885
Net credit to the public	292,940	301,828
Deposits from the public	361,645	435,217
Deposits from banks	3,520	6,591
Bonds and subordinated notes	26,853	23,490
Shareholders' equity	38,181	39,873
Total balance sheet	463,688	539,602

Note: For a full balance sheet analysis, please refer to the Bank's financial statements for FY20.

2020 | Key profit and loss items

NIS million

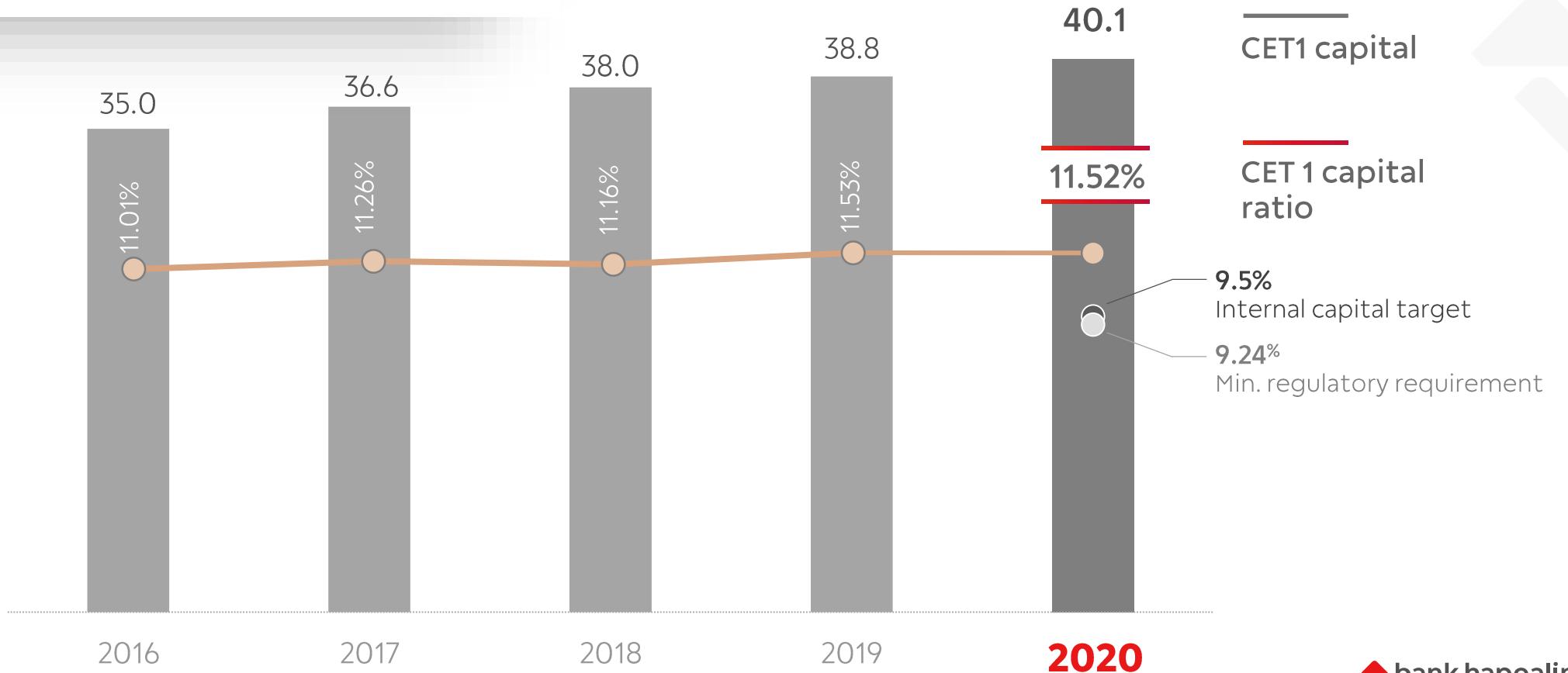
Year ending December 31	2019	2020
Total net financing profit	9,878	9,885
Fees and other income	3,330	3,291
Total income	13,208	13,176
Wages	(4,092)	(3,836)
Maintenance and depreciation of buildings and equipment	(1,333)	(1,377)
Other expenses	(2,457)	(2,229)
Special items	(894)	(59)
Total operating and other expenses	(8,776)	(7,501)
Provision for credit losses	(1,276)	(1,943)
Profit before taxes	3,156	3,732
Provision for taxes on profit	(1,681)	(1,590)
Net profit*	1,799	2,056
ROE*	4.6%	5.3%

* Excluding special items net profit totaled NIS 2,205 million (ROE of 5.7%) in 2020 and NIS 2,778 million (ROE of 7.1%) in 2019 .
Note: For a full profit and loss analysis, please refer to the Bank's financial statements for FY20.

2020 | Strong capital base, well above targets

NIS billion

14.6% Total capital ratio **6.8%** Leverage ratio





bank hapoalim

2020



— Israel's leading
financial institution