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**1Q21**

Quarterly  
Financial Review



**bank hapoalim**

# Disclaimer

This presentation includes condensed information and selected data on Bank Hapoalim's 2021 first-quarter results.

This presentation is not a substitute for the Bank's First Quarter 2021 Financial Statements, which contain 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 concerning 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, statements on the subjects of 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 in previous periods, refer to provisions made in relation to the investigations 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 provisions made in relation to the investigations of the US authorities (including exchange rate differentials), and the effect of the closure of the Bank's private banking activities overseas.

# Israel and COVID-19: Strong start to 2021

## Cautious optimism as we look ahead

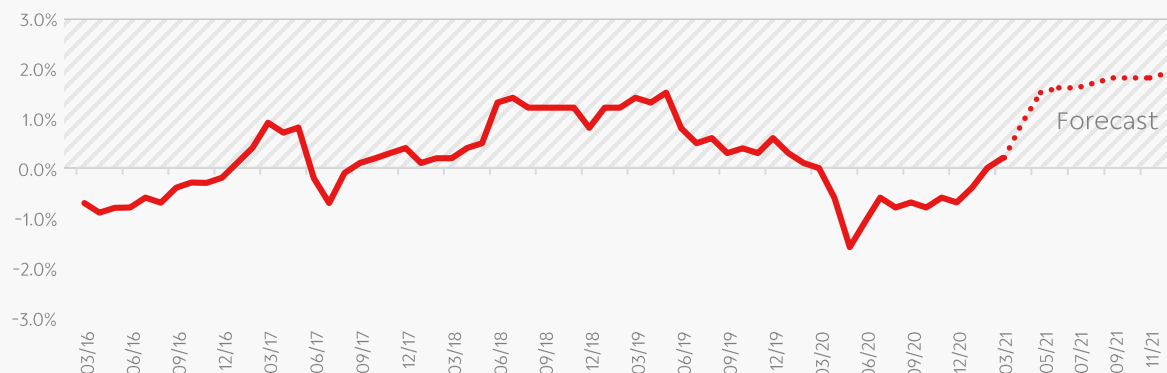
- High pace of vaccination paved the way to reopen the economy - BOI forecast GDP growth of 6.3% in 2021
- Political uncertainty has not affected consumer confidence or risk premiums
- Commodity prices and local supply factors expected to gradually increase inflation to 1.9% by year-end

**Less than 100**  
new confirmed  
cases per day

**58%** of  
population  
**fully vaccinated**

## Inflation rising

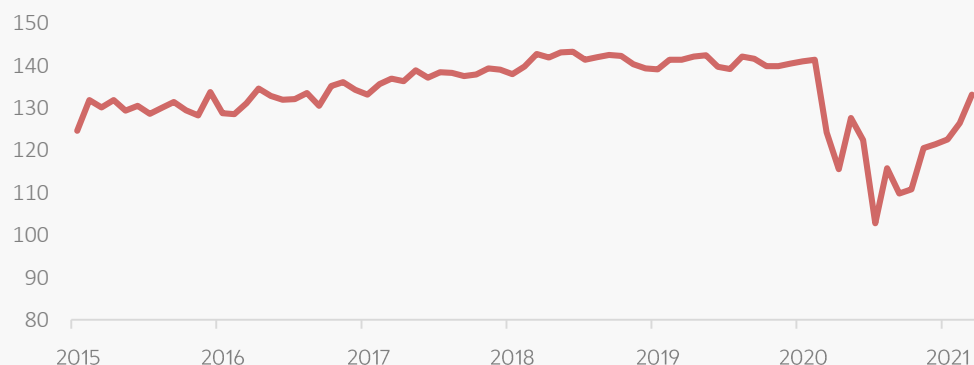
CPI, year-on-year rate of change



Source: IMF

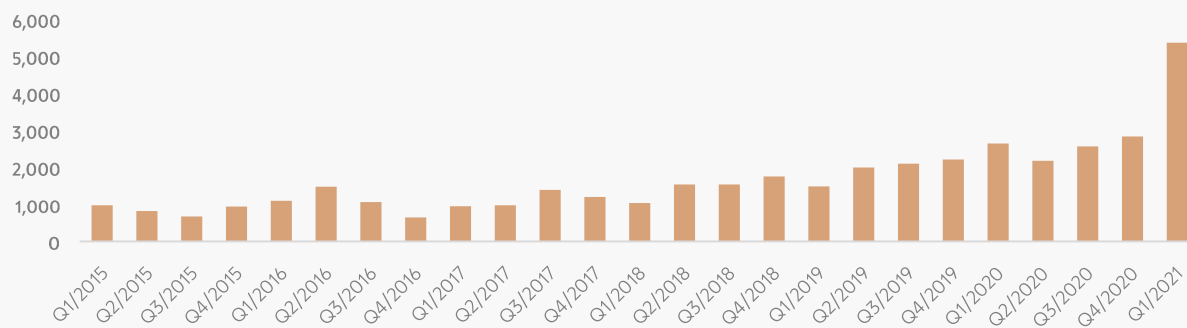
## Consumer confidence back on track

Bank Hapoalim and KANTAR TNS consumer confidence index



## VC investments in hi-tech sector at record levels

Quarterly investments in hi-tech companies, \$ billions



Source: IVC

# Delivered robust performance in 1Q21



**Strong**  
profitability

**14.2%**

ROE

**NIS 1.35 bn**

Net profit



Credit growth  
**momentum**

**1.4%** QoQ

Net credit  
to the public

**3.6%** QoQ    **1.9%** QoQ

Commercial  
credit

Housing  
loans



**Improving**  
credit quality

**1.05%**

NPL ratio

**1.6%** vs 14.5%  
as reported  
in 2Q20\*

Deferrals /  
total credit



**Large**  
capital buffer

**11.67%** Well  
above  
targets

CET-1 ratio

**8.5%** YoY

Growth in  
Shareholders' equity

\* Deferrals, as reported in the 2Q20 financial report, include debts for which the payment deferral period ended prior to that date.

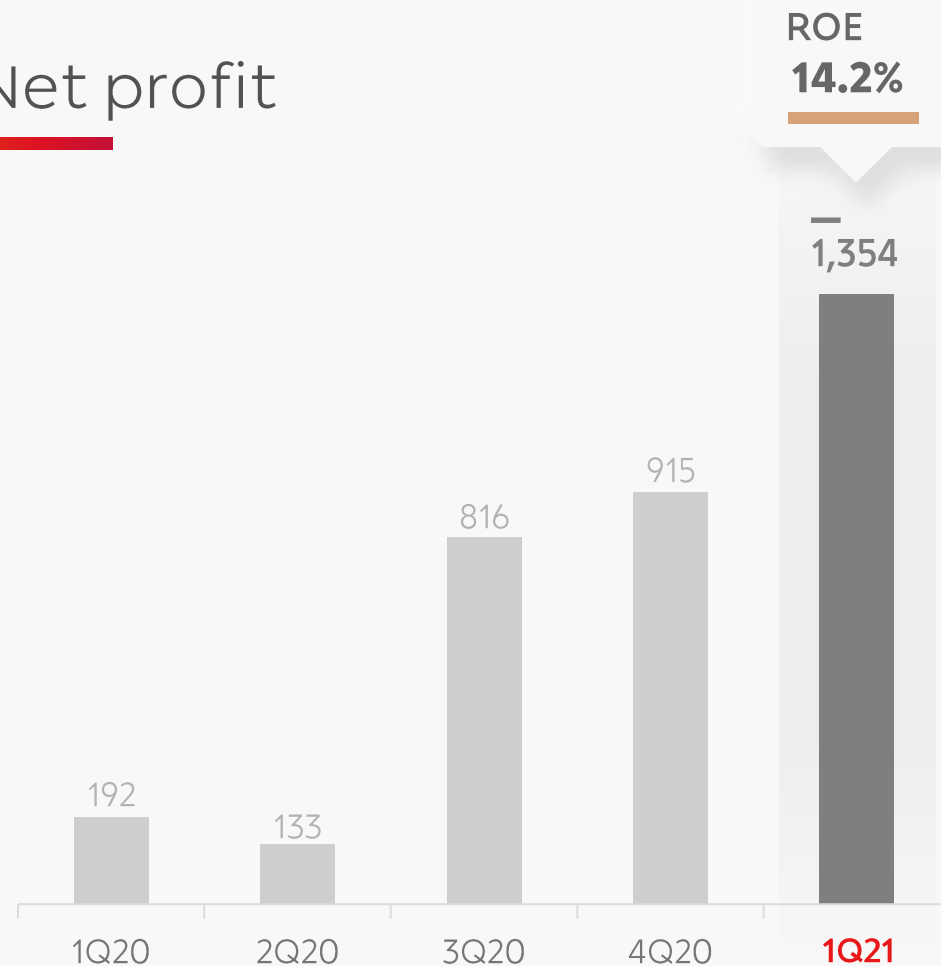
# Very strong profitability in the quarter

NIS million

## P&L highlights

	1Q20	4Q20	1Q21
Total net financing profit	2,498	2,492	2,682
Fees and other income	885	845	899
<b>Total income</b>	<b>3,383</b>	<b>3,337</b>	<b>3,581</b>
Operating and other expenses	1,916	1,908	1,919
<b>Profit before provisions and taxes</b>	<b>1,467</b>	<b>1,429</b>	<b>1,662</b>
Provision for credit losses	809	-187	-508
<b>Profit before taxes</b>	<b>658</b>	<b>1,616</b>	<b>2,170</b>
<b>Net profit*</b>	<b>192</b>	<b>915</b>	<b>1,354</b>
<b>ROE*</b>	<b>2.0%</b>	<b>9.6%</b>	<b>14.2%</b>

## Net profit



\* Excluding special items, net profit totaled NIS 313 million (ROE of 3.3%) in 1Q20.

# Targeted credit growth

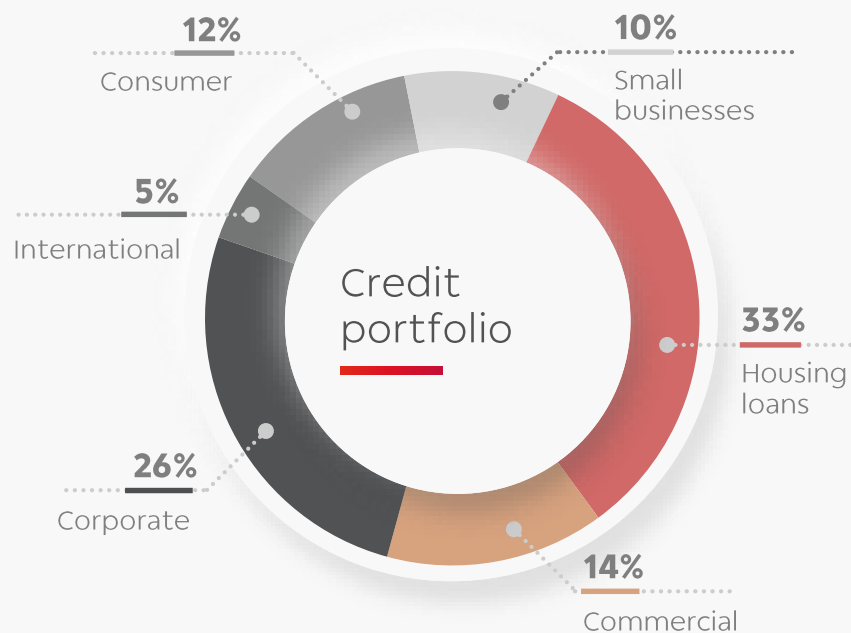
Net, NIS billion



## Credit portfolio

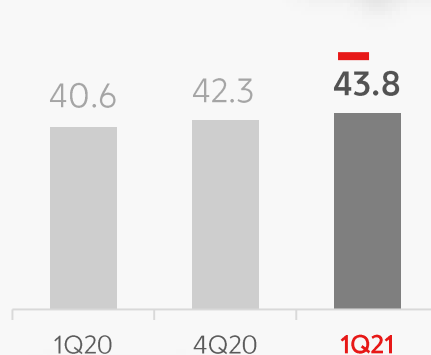
**306** NIS billion **+1.4%** QoQ **+2.2%** YoY

## Well diversified credit portfolio



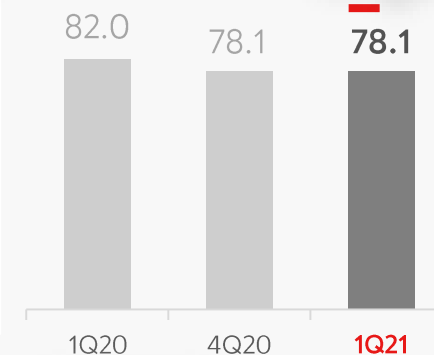
## Commercial

**3.6%** QoQ  
**8.0%** YoY



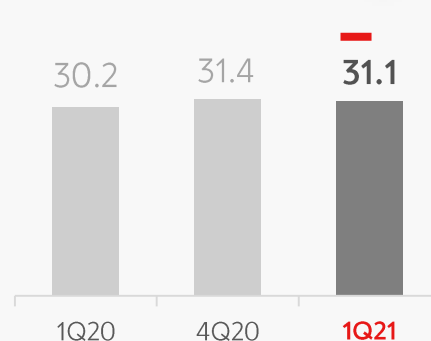
## Corporate

**0.0%** QoQ  
**-4.8%** YoY



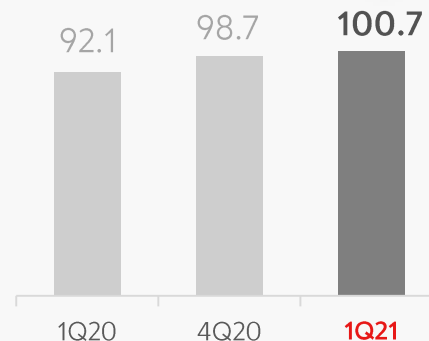
## Small businesses

**-0.7%** QoQ  
**3.2%** YoY



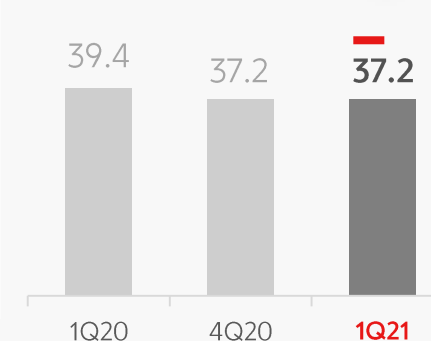
## Housing loans

**1.9%** QoQ  
**9.3%** YoY

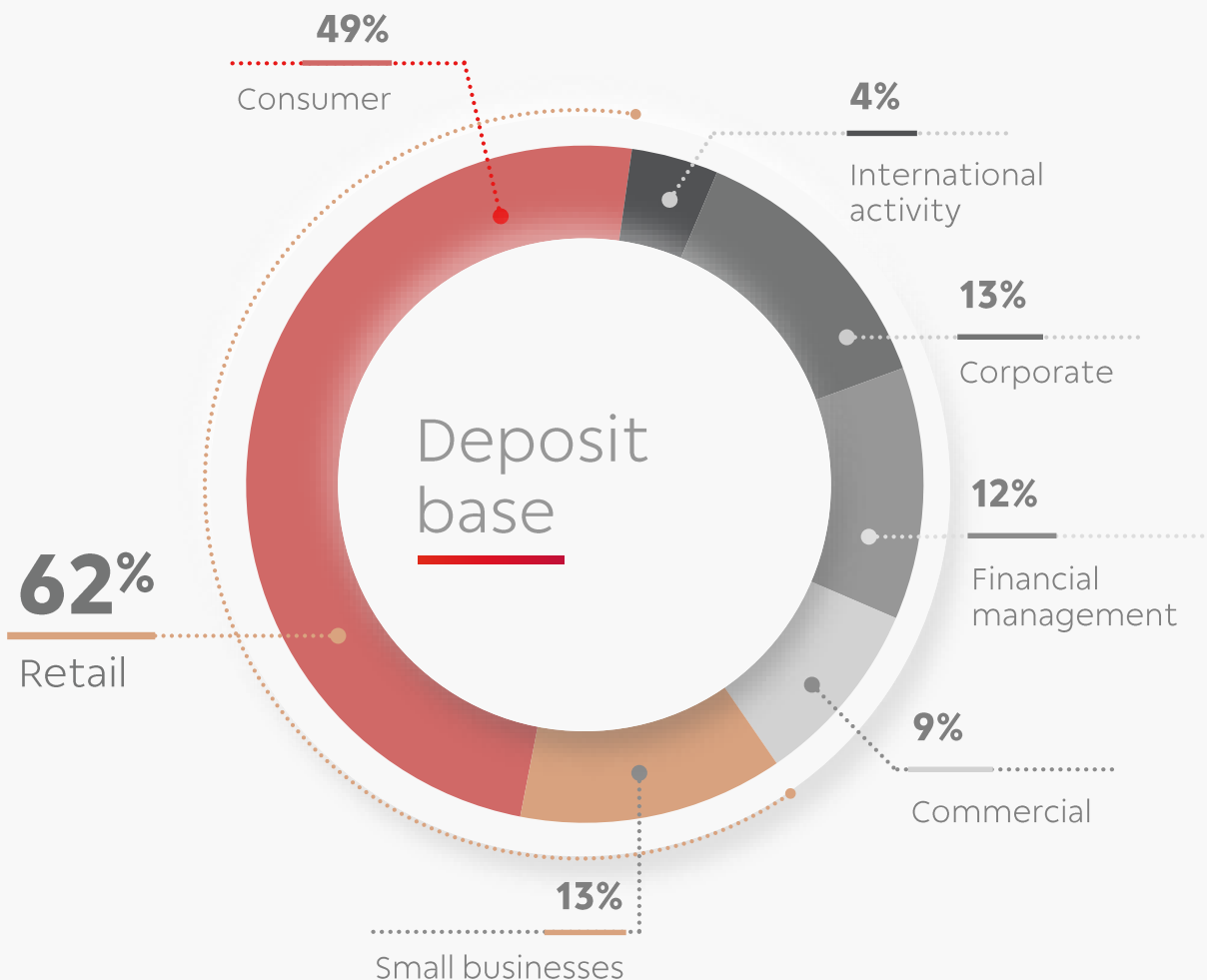


## Consumer

**0.0%** QoQ  
**-5.5%** YoY



# Continued growth in retail deposits



## Total deposits

**455** NIS billion

**Largest** retail deposit base among Israeli banks

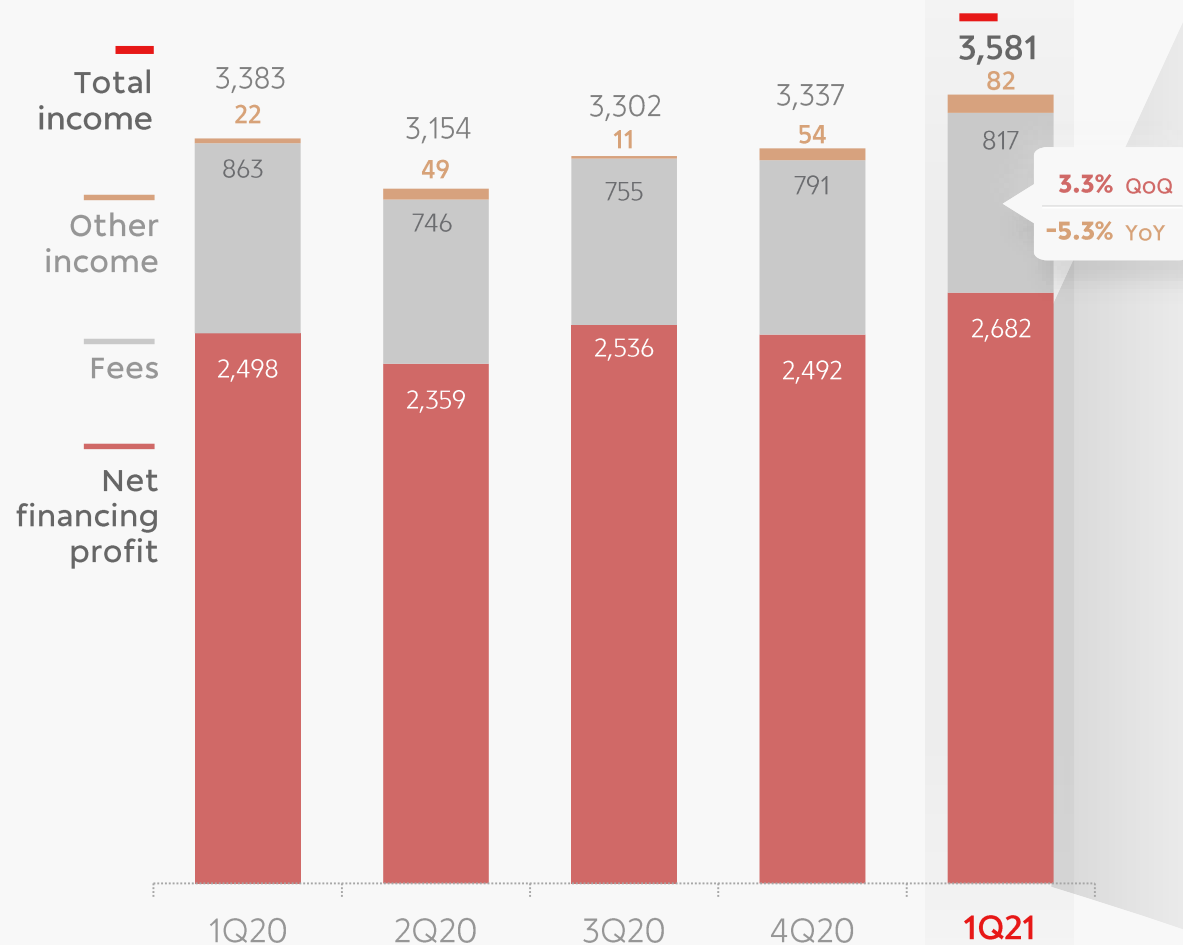
**282** NIS billion | **+2.5%** QoQ | **+8.3%** YoY

## LCR

**139%** Well above regulatory requirement of 100%

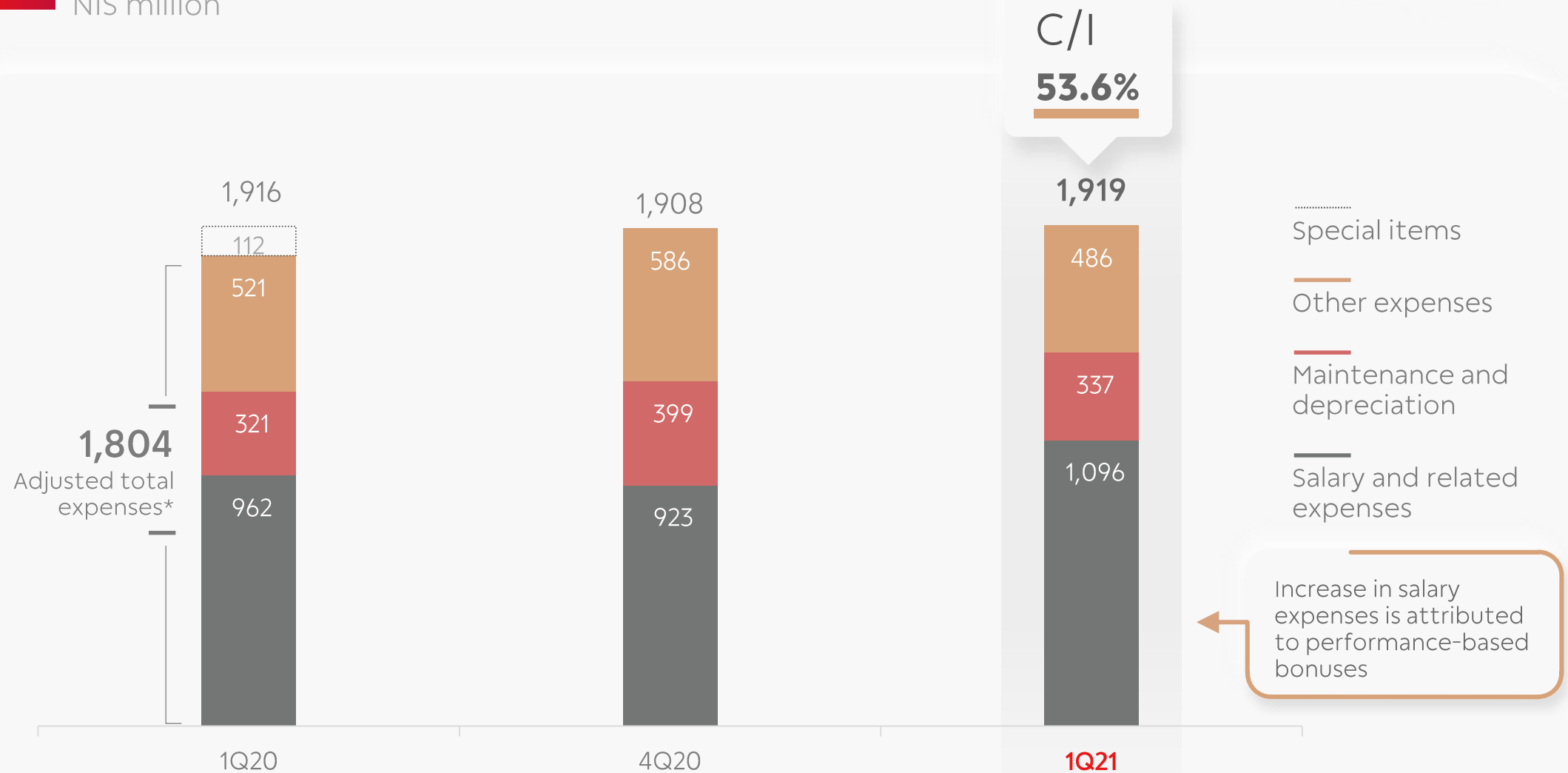
# Positive core banking revenue evolution

NIS million



# Disciplined management of operating expenses

— NIS million

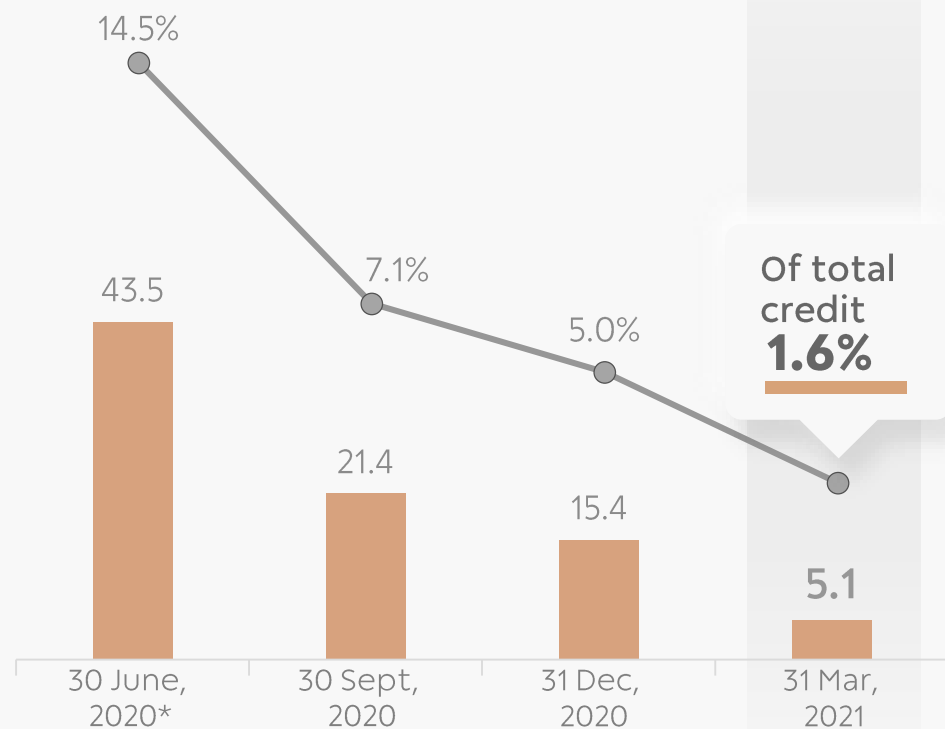


\* Excluding special items.

# Asset quality trends encouraging

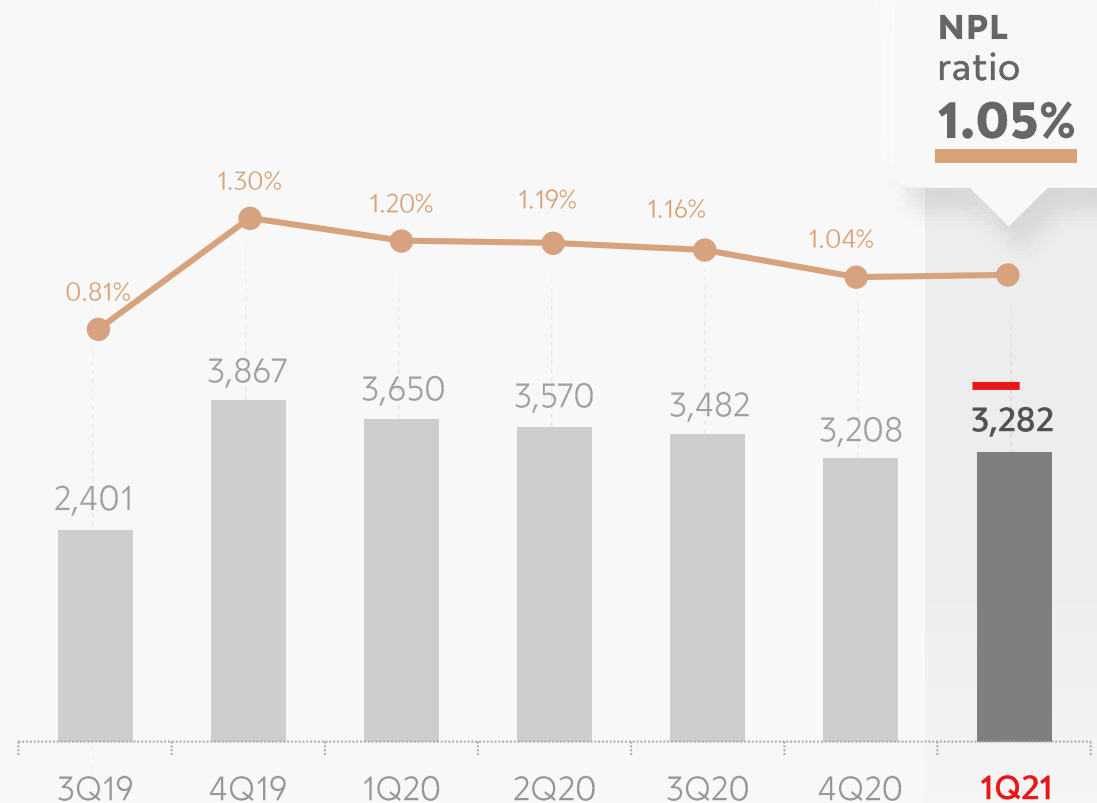
## Balance of deferred loans

NIS billion



## NPL levels

NIS million

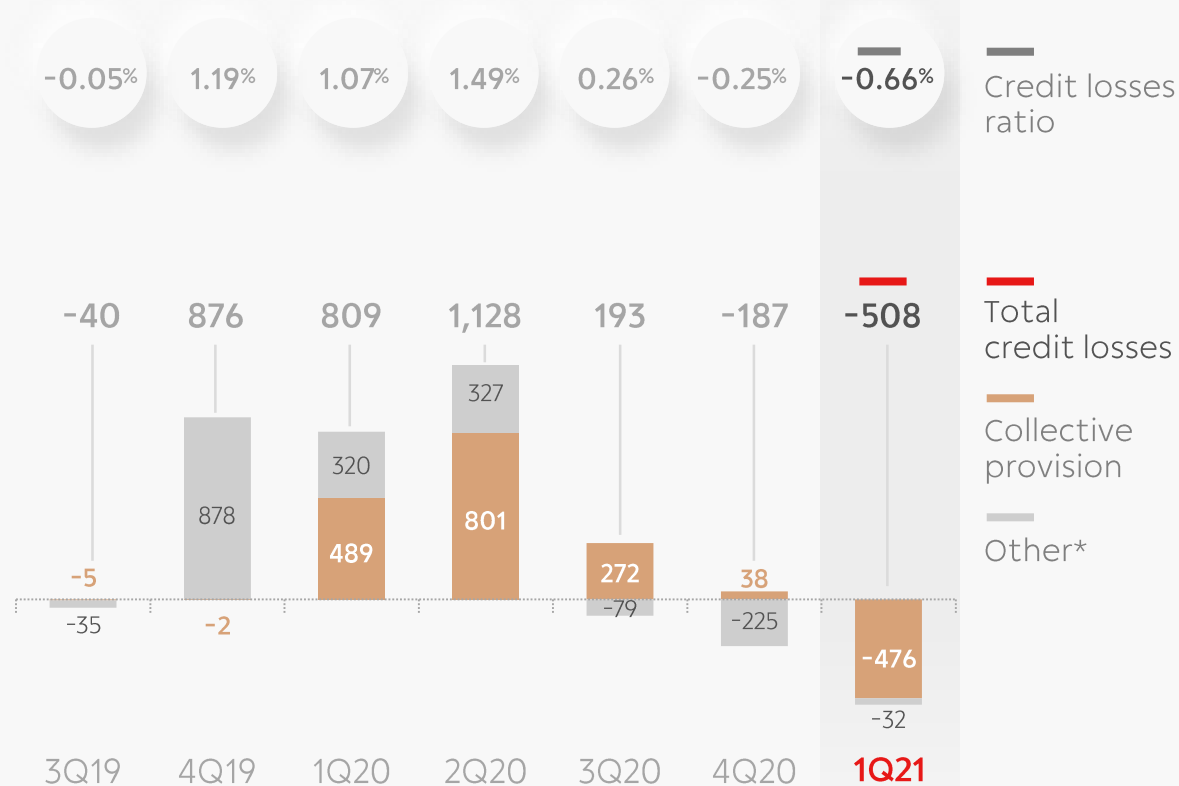


\* Deferrals, as reported in the 2Q20 financial report, include debts for which the payment deferral period ended prior to that date.

# Improved economic indicators allowed for collective allowance release; reserves remain high

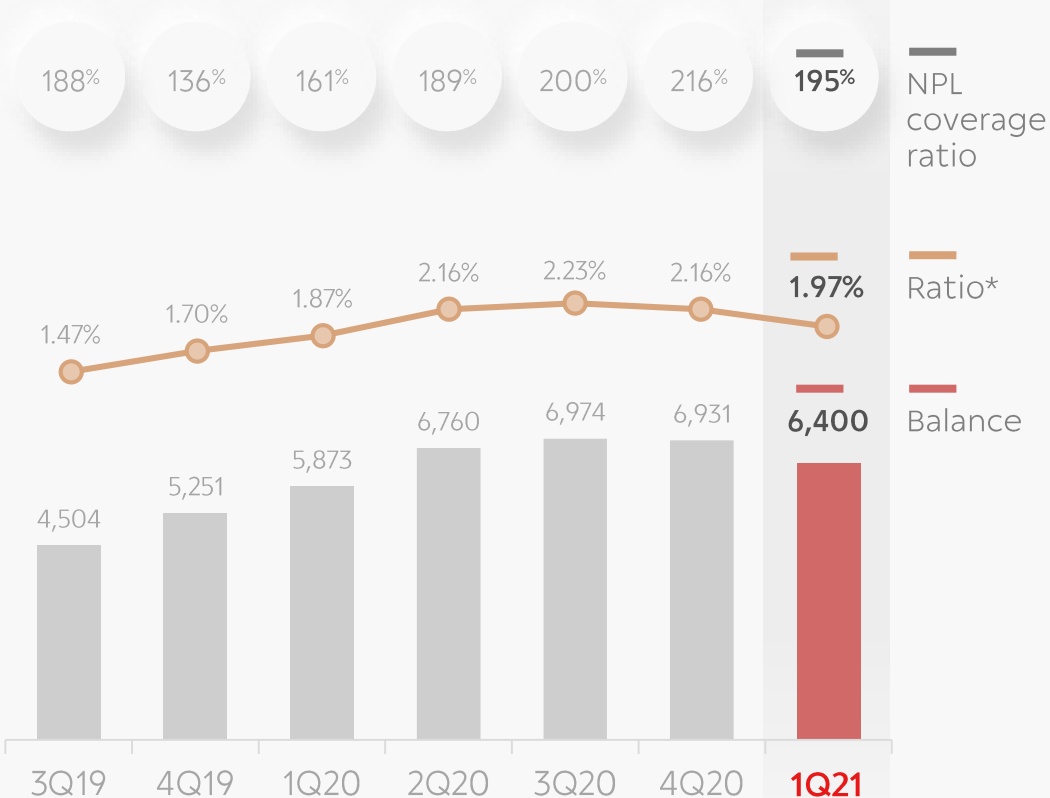
— NIS million

## Provision for credit losses



\* Other provision for credit losses includes individual provisions and net charge-offs.

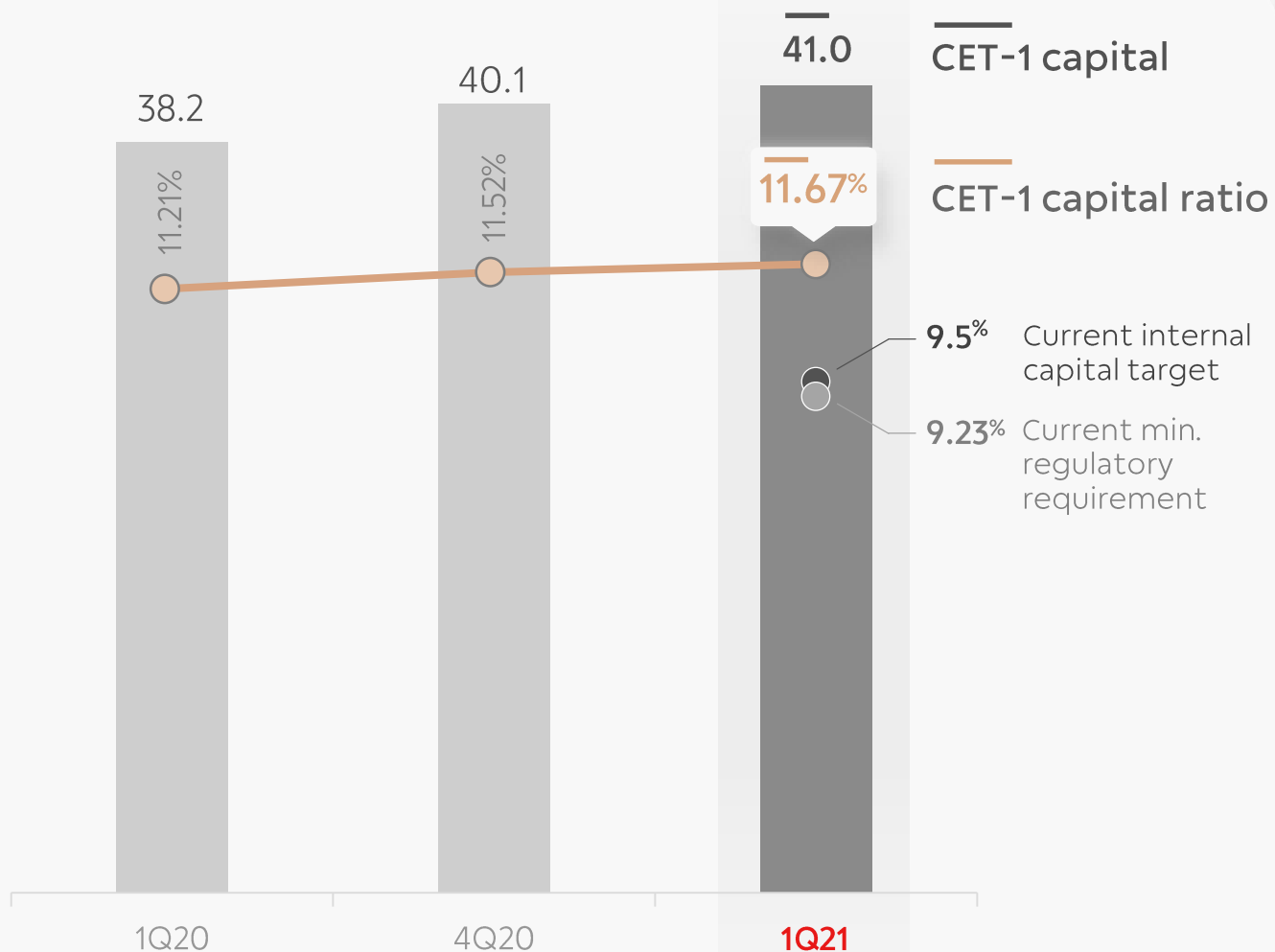
## Allowance for credit losses



\* Total allowance for credit losses divided by credit risk weighted assets (%).

# Strong capital position; large buffer over targets

NIS billion



Total capital ratio

**14.65%**

Leverage ratio

**6.7%**

Note: for additional information regarding capital requirements, refer to note 9 in 1Q21 financial report.

# 1Q21 key takeaways

1

**ROE of 14.2%** in 1Q21

2

**Positive core banking revenue** evolution, supported by **credit growth**, amidst the challenging environment

3

**Strong cost control** as we continue to implement our efficiency plan

4

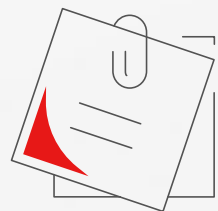
**Solid risk indicators**; encouraging outlook

5

Robust **capital generation**; significant **capital buffer** over both regulatory requirement and internal target

6

**bit - continuing to solidify popularity** in P2P payments, B2C and E-commerce; launched digital wallet and bit-card



# Appendix

# Key balance sheet items

NIS million

	1Q20	4Q20	1Q21
Cash on hand and deposits with banks	89,475	138,711	159,943
Securities	74,500	71,885	64,798
Net credit to the public	299,548	301,828	306,117
Deposits from the public	388,566	435,217	455,394
Deposits from banks	3,980	6,591	6,942
Bonds and subordinated notes	24,491	23,490	21,415
Shareholders' equity	37,632	39,873	40,835
Total balance sheet	491,459	539,602	554,398

**Note:** For a full balance sheet analysis, please refer to the Bank's financial statements for 1Q21.

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Israel's leading  
financial institution



1Q21