MOODY'S
INVESTORS SERVICE

CREDIT OPINION
24 January 2022

Update

Rate this Research

Bank Hapoalim B.M.

Update to credit analysis

RATINGS

Bank Hapoalim B.M.

Domicile	Tel Aviv, Israel
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	A2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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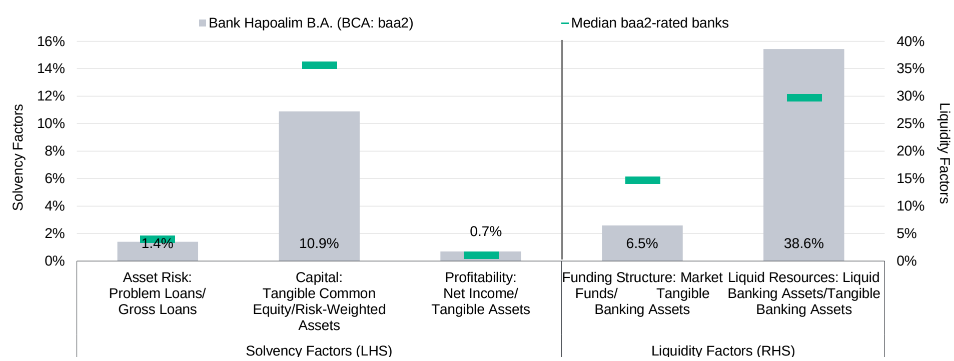
Summary

Bank Hapoalim B.M. (Bank Hapoalim)'s A2 long-term deposit ratings reflect (1) the bank's baa2 Baseline Credit Assessment (BCA); and (2) three notches of rating uplift from our assessment of a very high likelihood of support from the Government of Israel (A1 stable), in case of need.

Bank Hapoalim's baa2 standalone BCA reflects the bank's (1) strong deposit-based funding structure and sound liquidity; (2) adequate capitalisation, with a tangible common equity (TCE)/risk-weighted assets (RWAs) ratio of 10.9% as of September 2021, which although it is below similarly-rated international peers it mainly reflects the Bank of Israel's (BoI) conservative risk weights on mortgages; and (3) low levels of problem loans.

At the same time, Bank Hapoalim's BCA also reflects (1) moderate profitability, which is nevertheless supported by ongoing revenue growth and cost discipline; and (2) downside risks from persistent geopolitical events and a significant and growing exposure to the Israeli property market through lending to the real estate sector and residential mortgages.

Exhibit 1
Rating Scorecard - Key financial ratios



These are our Banks Methodology scorecard ratios. Asset Risk and Profitability reflect the weaker of either the latest figure or the three-year and latest figure average. Capital is the latest reported figure. Funding Structure and Liquid Resources reflect the latest fiscal year-end figures.
Source: Moody's Investors Service

Credit strengths

» Strong retail deposit-based funding structure and sound liquidity

» Solid loan quality and contained single-borrower concentrations

» Very high likelihood of government support, in case of need, underpins the deposit ratings

Credit challenges

» Profitability is moderate

» Geopolitical tensions and large exposure to Israel's property market present tail risks

Outlook

The stable outlook on the bank's long-term deposit ratings reflects our expectation that the bank's low levels of problem loans and sound funding and liquidity profile balance downside risks from exposure to real estate, while capitalisation remains adequate.

Factors that could lead to an upgrade

» Upward pressure on Bank Hapoalim's ratings would originate from a combination of stronger sovereign creditworthiness, as well as, an improvement in the bank's standalalone credit profile. This improvement could arise from (1) materially stronger capital buffers; and/or (2) significantly higher sustained profitability without an increase in asset risk.

Factors that could lead to a downgrade

» Bank Hapoalim's ratings could face downward pressure if deteriorating operating conditions or a materialisation of the downside risks we refer to in the report lead to material weakening of asset quality.

» Lower capital levels, an increase in the bank's asset risk profile, or a persistent weakening in the bank's recurring earnings power could also put pressure on the ratings.

» There could also be negative rating pressure if we consider that the government's willingness or capacity to provide extraordinary support has materially declined.

Key indicators

Exhibit 2
Bank Hapoalim B.M. (Consolidated Financials) [1]

	09-21[2]	12-20[2]	12-19[2]	12-18[2]	12-17[2]	CAGR/Avg.[3]
Total Assets (ILS Million)	604,324.0	539,602.0	463,688.0	460,926.0	454,424.0	7.9[4]
Total Assets (USD Million)	187,320.5	168,058.4	134,246.7	123,349.4	130,895.7	10.0[4]
Tangible Common Equity (ILS Million)	42,638.0	39,363.8	37,860.7	37,708.0	35,337.6	5.1[4]
Tangible Common Equity (USD Million)	13,216.4	12,259.8	10,961.4	10,091.1	10,178.9	7.2[4]
Problem Loans / Gross Loans (%)	1.2	1.5	1.8	1.2	1.3	1.4[5]
Tangible Common Equity / Risk Weighted Assets (%)	10.9	11.0	11.0	10.9	10.6	10.9[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	8.8	10.3	12.6	8.5	9.1	9.9[5]
Net Interest Margin (%)	1.7	1.8	2.1	2.0	1.9	1.9[5]
PPI / Average RWA (%)	1.8	1.7	1.6	1.8	1.4	1.7[6]
Net Income / Tangible Assets (%)	0.9	0.4	0.6	0.8	0.6	0.7[5]
Cost / Income Ratio (%)	53.1	54.6	58.4	55.5	62.4	56.8[5]
Market Funds / Tangible Banking Assets (%)	5.3	6.5	6.4	6.3	6.7	6.2[5]
Liquid Banking Assets / Tangible Banking Assets (%)	40.3	38.6	31.5	30.2	33.4	34.8[5]
Gross Loans / Due to Customers (%)	67.7	71.1	82.7	81.9	78.2	76.3[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Investors Service and company filings

Profile

Bank Hapoalim provides banking and other financial services to households, small businesses, middle-market companies and large corporate customers mainly in Israel. Internationally, Bank Hapoalim's New York branch focuses on providing commercial banking services in North America to local middle-market customers and Israeli companies that are active abroad.

In line with its strategy, Bank Hapoalim has reduced its international private banking activities through the sale or transfer of the customer portfolio of its Swiss subsidiary. At present, there are no remaining customers in the bank's Swiss subsidiary, and the bank is in the process of surrendering its banking license.

The bank stepped up its efforts to sell its entire stake (69.8% as of September 2021) in Bank Pozitif in Turkey, which specialises mainly in corporate banking, while at the same time gradually reducing the credit portfolio of Bank Pozitif. An earlier agreement reached in conjunction with the minority shareholder in February 2021 for the sale of the full stake in Bank Pozitif to a potential buyer was been terminated in September 2021.

Following the divestment by Arison Group of part of its stake in Bank Hapoalim in late 2018, the bank does not have a controlling shareholder.

As of September 2021, Bank Hapoalim had total assets of NIS604.3 billion ($187.3 billion). Bank Hapoalim was one of the two largest banks in Israel with a market share of 28.5% in terms of total system assets as of June 2021.

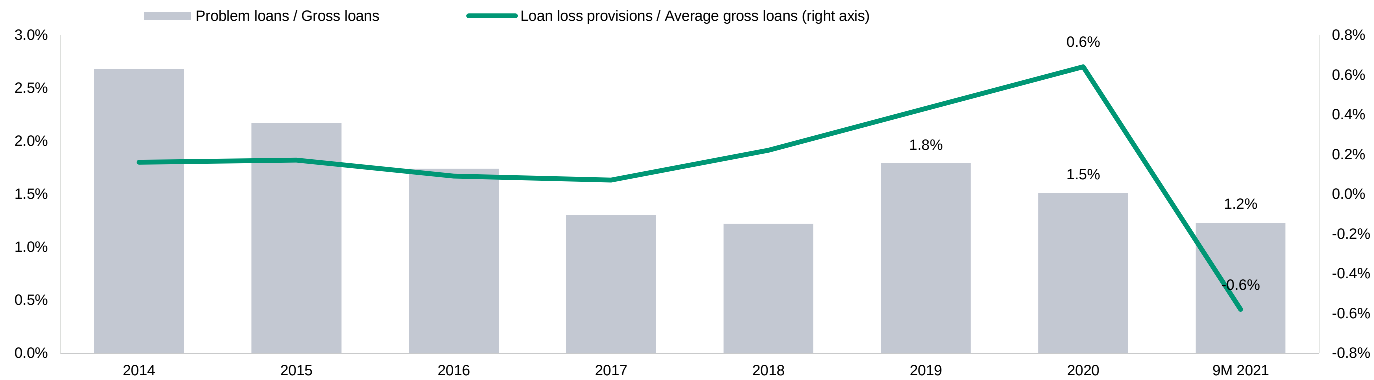
Detailed credit considerations

Solid loan quality and contained single-borrower concentrations; geopolitical tensions and large exposure to Israel's property market present tail risks

Bank Hapoalim's Asset Risk score reflects its solid loan quality, including a low level of problem loans that will be sustained by Israel's strong economic recovery and contained credit losses in the last decade. Our assessment also considers the improved diversification in the bank's loan book following a reduction in single-name concentrations and relatively conservative underwriting. However, a significant and growing exposure to Israel's real estate market through lending and potential geopolitical tensions remain the main downside risks for the bank's asset quality.

Bank Hapoalim's problem loans (impaired loans and loans in arrears of 90 days or more) to gross loans declined to 1.2% as of September 2021 from 1.5% and 1.8% as of the end of 2020 and 2019 respectively (see Exhibit 3), reflecting limited new problem loan formation and a pick-up in new lending. We expect the bank's loan quality to remain solid supported by Israel's strong economic growth, despite the successive pandemic waves, and rising employment.

Exhibit 3
Bank Hapoalim's problem loans ratio reverted to pre-pandemic levels
Evolution of problem loans ratio and annualised credit costs



Source: Moody's Investors Service

Following the reopening of the economy, the pick-up in economic activity and a sharp reduction in loans under payment deferral to just 0.7% of the loan book as of September 2021, the bank reversed some of the collective provisions it had booked during 2020. Bank Hapoalim reported provision reversals equivalent to 0.6% of average gross loans in the first nine months of 2021. Credit costs (loan loss provision expenses/average gross loans) had increased to 0.6% in 2020 from 0.4% in 2019, which had included an initial assessment of the impact of the pandemic made by the bank in its full-year 2019 financials, and just 0.1% for the period 2014-2018. More than 80% of the provisions booked in 2020 were collective provisions.

We expect the bank's credit costs to normalise in 2022, but to remain contained given that some additional provisions remain in place to absorb losses. We also expect that the initial application of the US Current Expected Credit Loss (CECL) standard from 2022 will not lead to significant additional impairments on implementation, or higher ongoing provisions, given the significant general provisions required for retail loans under the previous standard.[1]

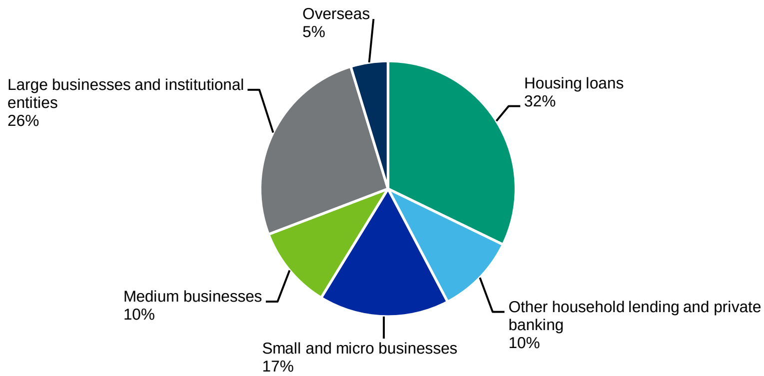
Benefiting asset risk, Bank Hapoalim's loan book is relatively diversified, including through lower borrower concentration levels, which was an issue in the past. The bank had no exposures exceeding 15% of its capital as of September 2021 and its aggregate exposure (on and off-balance sheet) to 20 borrowers whose individual exposure exceeded NIS1.2 billion as of September 2021 accounted for 7.5% of total credit risk to the public or about 92% of TCE.

Furthermore, residential mortgages accounted for 32% of total loans, while medium and large businesses (including institutional entities) for 36% as of September 2021 (see Exhibit 4). The bank's exposure to small businesses (regulatory definition[2]) and other retail and consumer loans in Israel were 17% and 10% of total gross loans respectively as of September 2021. The bank had been deleveraging from these two segments in recent years in view of their higher risk and resumed a cautious growth in the portfolio in recent quarters.

Exhibit 4

Bank Hapoalim's loan book is relatively diversified

Loan book breakdown as of September 2021 (supervisory operating segments)



Source: Bank's financial results

Similarly to other Israeli banks, however, Bank Hapoalim's asset quality remains vulnerable to persistent geopolitical tensions that could compromise business confidence and overall economic activity.

In addition, the bank's asset quality is susceptible to developments in the Israeli property market because of the significant exposure to residential mortgages mentioned above and to the real estate sector. The bank's exposure to the domestic construction and real estate sectors made up a further 20% of total lending as of September 2021 and grew by a high 31% year-over-year because of strong demand. In view of the significant lending growth in these sectors, the BoI requested banks to heighten their monitoring of borrowers, and Bank Hapoalim adjusted its collective provisions in light of the significant growth in the portfolio.

High and rising house prices expose banks to a potential house price correction and banks are also exposed to potentially increased risk in the mortgage book from unexpectedly higher interest rates and a rise in unemployment. For housing loans, risks are mitigated by the low level of household debt, macroprudential measures[3], which enforce tight underwriting standards, and high capital buffers against mortgages. House prices continue to rise, but a structurally limited supply of new housing units provides price support. We see higher risk in the office and retail space market. Income-generating properties accounted for 28% of the bank's total on- and off-balance sheet exposure to the construction and real estate sectors as of September 2021.

Adequate risk-weighted capitalisation, although below global peers, but with a stronger leverage ratio

We consider Bank Hapoalim's capitalisation to be adequate. Although risk-weighted capital metrics are below global peers, the bank's loss-absorption buffers are supported by conservative regulatory risk-weights, especially on mortgage lending. Over the coming 12-18 months, we expect the bank's capital ratios to remain broadly stable following the gradual resumption of profit distribution. Stable capitalisation will continue to be driven by sufficient internal capital generation against lending growth.

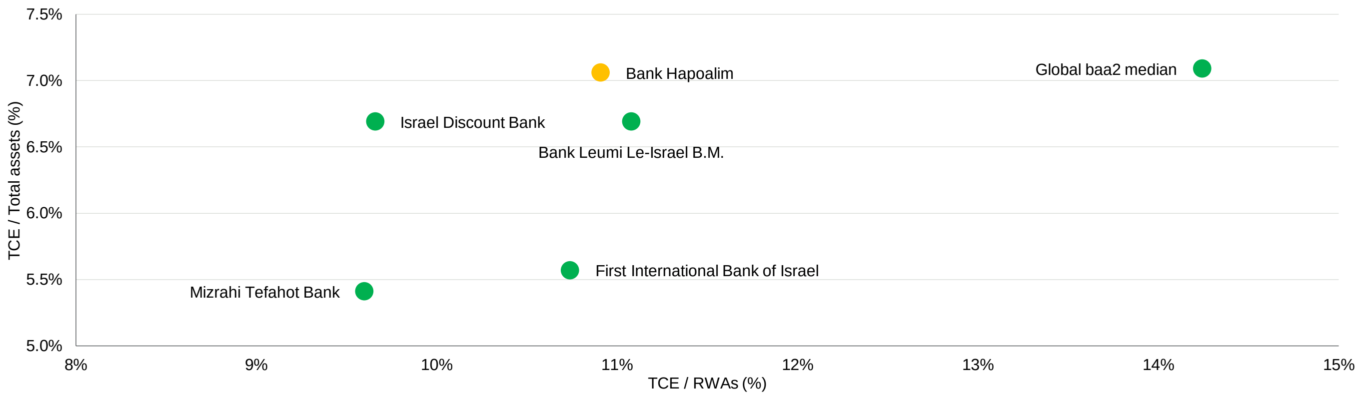
Bank Hapoalim's TCE/RWAs ratio was 10.9% as of September 2021, below that of similarly-rated international peers (see Exhibit 5). However, the BoI maintains a conservative approach to risk-weighting that results in higher loss-absorption buffers than capital ratios show. Israeli banks use the standardised approach to risk-weighting. Mortgages are further risk-weighted according to their loan-to-value, resulting in an average risk weight of over 50% in Israel. This effective mortgage loan risk weight is significantly higher than the risk weights applied by banks in other developed countries that use the internal ratings-based approach and even the 35% weight normally used in the standardised approach.

The bank's TCE-to-total assets ratio was 7.1% as of September 2021, comparing more favorably with international peers. The Basel leverage ratio declined to 6.3% as of September 2021, from 7.6% as of the end of 2019, reflecting large deposit inflows driving growth in cash and placements at the central bank during 2020 and 2021, above the 5.5% minimum regulatory requirement that applied at that time.

Exhibit 5

Bank Hapoalim's risk-weighted capitalisation is lower than global peers, but leverage is in line with peers driven by conservative risk weights

Risk-weighted capitalisation and leverage of Israeli banks and the global median as of September 2021



Source: Moody's Investors Service

Bank Hapoalim also reported a common equity tier 1 (CET1) ratio of 11.2% as of September 2021, exceeding the 9.2% minimum regulatory requirement and the bank's own internal target of 9.5%. In September, the BoI extended its leniency on lower banks' capital requirements by 1 percentage point until the end of 2021. This leniency was initially provided in March 2020 and reduced Bank Hapoalim's minimum CET1 ratio requirement from 10.3% as of the end of 2019[4]. The BoI also lifted its earlier guidance on suspension of profit distributions, but has asked banks to adopt a conservative approach on dividends, not exceeding 30% of 2020 and 2021 profits. In line with the BoI's recommendation, Bank Hapoalim distributed 30% of 2020 earnings and 22% of 9M 2021 profits. Under the bank's dividend policy, Bank Hapoalim may distribute up to 40% of net profits in each quarter. Bank Hapoalim had previously refrained from dividend distributions from ongoing earnings, with the bank halting ordinary dividend payments from quarterly profit since Q2 2018 while it was being investigated by the US authorities.

Profitability is moderate, but supported by continued revenue growth and cost control focus

Bank Hapoalim's ongoing profitability is moderate, helped by its strong franchise and large customer base in Israel and the country's robust economic growth potential and population growth that afford new business opportunities. These factors drive strong revenue growth, which coupled with ongoing cost discipline, support sustainable profitability and the bank's ability to resist growing competition and income headwinds.

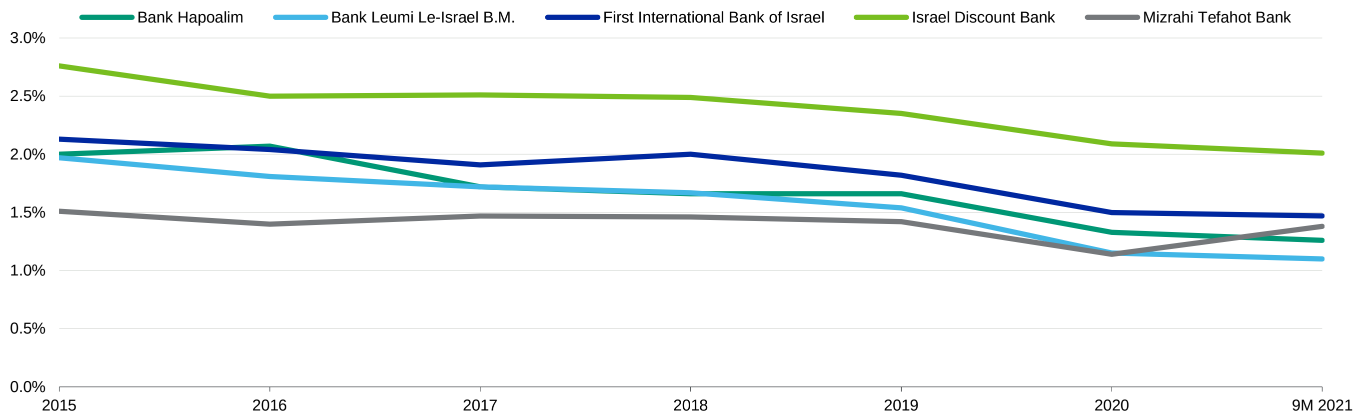
Competition by providers of financial services in Israel will likely intensify as Israeli authorities continue to implement measures to promote competition and lower the cost of banking services for households and small businesses. A digital-only bank, the first new bank to be licensed in Israel in over four decades, has started official operations this year and a new system facilitating fast and zero-cost switching between banks was launched in September.

Bank Hapoalim's profitability recovered in the first nine months of 2021, with net income accounting for 0.9% of tangible assets, up from 0.4% in 2020, driven by significant loan loss provisioning reversals during the year, as mentioned earlier, and strong revenue growth owing to loan growth and higher CPI, which was negative in 2020. For 2022 we expect these trends to be sustained and provision expenses to remain contained supporting bottom-line profitability.

Strong competition, low shekel interest rates and a significant deposit surplus will continue to exert pressure on the bank's margins over the next few quarters. The bank's net interest margin declined to 1.7% in the first nine months of 2021 (2020: 1.8%; 2019: 2.1%). However, we expect loan growth to remain strong because of strong housing demand, with record demand for mortgages in Israel in 2020 and 2021, and higher demand for corporate credit, partly offsetting margin pressure. Higher dollar interest rates will also support margins.

The bank's ongoing cost reduction efforts will also continue to support profitability and its capacity to resist revenue headwinds. The bank has operated several voluntary retirement schemes, which reduced its workforce by 15% during the period 2015-2019. During 2020, the bank's headcount declined by a further 4.4%, facilitated by its fifth-consecutive efficiency plan, which will continue to lead to an additional reduction in headcount, albeit to a lesser extent. The bank is also looking to further streamline its branch network and to consolidate its headquarters. As a result of these initiatives, Bank Hapoalim's efficiency improved in recent years, with operating costs declining to 1.3% of total assets in the first nine months of 2021, compared to over 2.0% before 2017 (see Exhibit 6), while its reported cost-to-income ratio of 54.8% in the first nine months of 2021 was the lowest ever reported.

Exhibit 6
Bank Hapoalim's has managed its relative cost base down in recent years
Operating expenses / total assets



Moody's adjusted figures. Figures also exclude provisions related to US investigations into tax evasion schemes and other litigation costs
Source: Moody's Investors Service

Strong retail deposit-based funding structure and sound liquidity

Bank Hapoalim benefits from a strong funding profile driven by a large and stable deposit base in Israel. Customer deposits were equivalent to 84% of total assets as of September 2021. The bank's large and growing deposit base comfortably funds its lending activities, supported by the country's strong savings culture. Bank Hapoalim's net-loans-to-deposits ratio was 67% as of September 2021, improved from 81% as of the end of 2019 because of large deposit inflows over the past two years.

Granular household (excluding private banking) and small business deposits accounted for 49% of total deposits as of September 2021. Potentially less stable deposits from institutional investors were 19% of total deposits as of the same date, but foreign deposits were contained at 4% of the total. Generally, both domestic and foreign deposits had remained broadly stable during past systemic shocks in Israel.

Ample deposits drive a low reliance on market funding, with market funds accounting for 5.3% of tangible banking assets as of September 2021, part of which reflects senior issuances[5]. The bank had around NIS19 billion (3% of total assets) of bonds and subordinated notes outstanding as of September 2021. These balances were mainly sourced from the local capital market and allow for better matching of the bank's assets and liabilities maturities. The bank also completed a $1 billion international Tier 2 issuance in October diversifying its investor base, and the proceeds of the issuance will be allocated to finance eligible green projects.

The bank also maintains sound liquidity, underscored by a conservative investment policy. Liquid banking assets were 40% of tangible banking assets as of September 2021, increasing from 31% at the end of 2019 following the large deposit inflows over the past two years. Bank Hapoalim kept 29% of assets in the form of cash and deposits with banks, and an additional 12% in securities. Bank Hapoalim's securities portfolio primarily consists of investments in Israeli government bonds (61% of total) and, to a lesser extent, US government bonds (24% of total), while only 5% of the securities portfolio were investments in shares. The bank's liquidity coverage ratio was 126% as of September 2021.

Source of facts and figures cited in this report

Unless noted otherwise, we have sourced data relating to systemwide trends and market shares from the central bank. Bank-specific figures originate from the banks' reports and are based on our own chart of accounts and may be adjusted for analytical purposes. Please refer to Financial Statement Adjustments in the Analysis of Financial Institutions published on 9 August 2018. We do not use the Bank of Israel's exchange rates in converting figures from Israeli shekel into US dollars, so US dollar figures may differ from bank reported figures.

ESG considerations

In line with our general view for the banking sector, Bank Hapoalim has a low exposure to Environmental risks. See our Environmental risks heatmap for further information. Although Israel is exposed to environmental risk through rising temperatures, drought episodes and water scarcity given its geographical location in a semiarid climate zone, the authorities have taken a number of steps to address these risks, including through seawater desalination and wastewater recycling.

Overall, we believe banks, including Bank Hapoalim, face moderate Social risks, see our Social risks heatmap. The most relevant social risks for banks arise from the way they interact with their customers. Social risks are particularly high in the area of data security and customer privacy, which is partly mitigated by sizeable technology investments and banks’ long track record of handling sensitive client data. Fines and reputational damage because of product mis-selling or other types of misconduct is a further social risk.

Societal trends are also relevant in a number of areas, such as shifting customer preferences towards digital banking services, increasing information technology cost, ageing population concerns in several countries, impacting demand for financial services or socially driven policy agendas that may translate into regulation that affects banks’ revenue base. Specifically in Israel, authorities are taking measures to promote competition in the banking system and to reduce the cost of financial services for households and small business, which will weigh on the banks’ profitability.

Further, strict labour laws and strong banking employee unions in Israel limit staffing flexibility and drive up staffing costs. However, the banks have reduced employee posts through successive early retirement plans and have implemented stringent cost control, which has allowed them to mitigate these challenges.

Governance is highly relevant for Bank Hapoalim, as it is to all entities in the banking industry. Corporate governance weaknesses can lead to a deterioration in a company’s credit quality, while governance strengths can benefit its credit profile. Governance risks are largely internal rather than externally driven. Corporate governance therefore remains a key credit consideration and requires ongoing monitoring.

For Bank Hapoalim in particular, we note that it had, through its subsidiary in Switzerland, assisted US customers in evading taxes during the period 2002-2014, which indicates past internal control lapses. Because of these activities, in April 2020, the bank entered into a deferred prosecution agreement with US authorities for three years and paid a substantial fine. The bank has also taken significant steps to examine its processes that allowed these actions to take place and to address gaps.

Support and structural considerations

Government support considerations

Bank Hapoalim's A2 deposit ratings incorporate three notches of government support uplift from the bank's baa2 Adjusted BCA because of our assessment of a very high likelihood of extraordinary support from the Israeli authorities. This assumption is based on Bank Hapoalim's systemic importance as one of the country's two largest banking groups and the Israeli government's long standing practice of injecting capital into systemically important banks in case of need.

Counterparty Risk (CR) Assessment

Bank Hapoalim's CR Assessment is A1(cr)/P-1(cr)

Prior to government support, the CR Assessment is positioned one notch above the bank's baa2 Adjusted BCA, reflecting our view that its probability of default is lower than that of deposits. Senior obligations represented by the CR Assessment will be more likely preserved to limit contagion, minimise losses and avoid disruption of critical functions. The CR Assessment also benefits from government support uplift, in line with our support assumptions on deposits.

Counterparty Risk Ratings (CRRs)

Bank Hapoalim's CRR is A1/P-1

For jurisdictions with a non-operational resolution regime, such as Israel, the starting point for the CRR is one notch above the bank's Adjusted BCA. The CRRs also benefit from three notches of government support uplift.

Methodology and scorecard

About Moody's Bank Scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 7

Bank Hapoalim B.M.

Macro Factors							
Weighted Macro Profile	**Strong**	**100%**					

Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	1.4%	a1	↓	baa2	Sector concentration	Expected trend
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	10.9%	baa3	↔	baa3	Risk-weighted capitalisation	
Profitability						
Net Income / Tangible Assets	0.7%	baa3	↔	baa3	Return on assets	
Combined Solvency Score		baa1		baa3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	6.5%	a1	↔	a2	Deposit quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	38.6%	a2	↓	a3	Expected trend	
Combined Liquidity Score		a1		a2		
Financial Profile				baa2		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				A1		
BCA Scorecard-indicated Outcome - Range				baa1 - baa3		
Assigned BCA				baa2		
Affiliate Support notching				0		
Adjusted BCA				baa2		

Instrument Class	**Loss Given Failure notching**	**Additional notching**	**Preliminary Rating Assessment**	**Government Support notching**	**Local Currency Rating**	**Foreign Currency Rating**
Counterparty Risk Rating	1	0	baa1	3	A1	A1
Counterparty Risk Assessment	1	0	baa1 (cr)	3	A1(cr)	
Deposits	0	0	baa2	3	A2	A2

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

Ratings

Exhibit 8

Category	**Moody's Rating**
BANK HAPOALIM B.M.	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A1(cr)/P-1(cr)

Source: Moody's Investors Service

Endnotes

1 The new standard is to be implemented from 1 January 2022. The cumulative first-day effect of the change in calculating provisions will be taken against the balance of retained earnings. However, the impact on supervisory capital can be phased in over four years. Banks are allowed to add any decrease from the standard's implementation back to Common Equity Tier 1 capital at a rate of 75% on 1 January of the first year of implementation, 50% in the second year, and 25% in the third year, with full effect from the fourth year. Under the previous standard, Israeli banks were mandated to maintain minimum general loan-loss provisions equivalent to 0.35% of gross loans for outstanding housing loans and 0.75% for non-housing retail loans.

2 The regulatory definition of small businesses includes those businesses with an annual turnover of up to NIS50 million.

3 The measures include loan-to-value limits, a monthly repayment cap at 40% of a borrower's month salary and a limit on the variable-rate of interest part of the mortgage.

4 In November 2020, the authorities also lowered the bank's leverage ratio requirement to 5.5%, from 6% previously

5 Market funds exclude subordinated debt, according to our definition.

REPORT NUMBER 1316335

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Americas	1-212-553-1653
Asia Pacific	852-3551-3077
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EMEA	44-20-7772-5454

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