



Annual Financial Review

2021





CEO, Dov Kotler

Opening

CFO, Ram Gev

Financials & strategy



Disclaimer

This presentation includes condensed information and selected data from Bank Hapoalim's 2021 annual financial results.

This presentation is not a substitute for the Bank's 2021 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 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 which are detailed from time to time in the Bank's filings with the securities authorities.

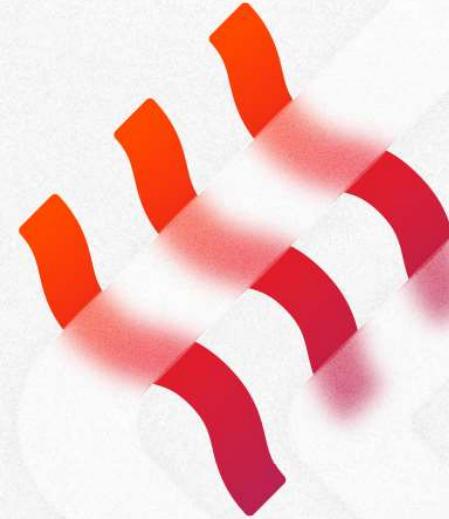
Special items in ROE and net profit refer to provision made in relation to the investigation of the US authorities and related legal proceedings, the effect of the

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 investigation of the US authorities (including exchange rate differentials) and related legal proceedings, and the effect of the closure of the Bank's private banking activities overseas.



CEO, Dov Kotler

Opening



2021 - a remarkable year for Bank Hapoalim

4.9
Bn
**Net
profit**

16.8%
**Total
credit
growth**

9.2%
**Total
income
growth**

11.8%
ROE

54.2%
**Cost-
income
ratio**

10.96%
**CET-1
ratio**

A year of significant advancements across all business lines

In view of the high demand in the market, we identified the potential for growth in credit, expanded our capacity accordingly, and strengthened our response to customers

The growth has been reflected in increased income, at a significantly higher level than just last year

We developed additional revenue streams alongside core banking, most notably "Poalim Equity"

Significant capital surpluses, profitability achieved during the year, and the Tier 2 issuance allowed us to attain growth outpacing the industry, while distributing substantial dividends to shareholders

We restrained expenses and allocated our resources and employees to growth-supporting activities

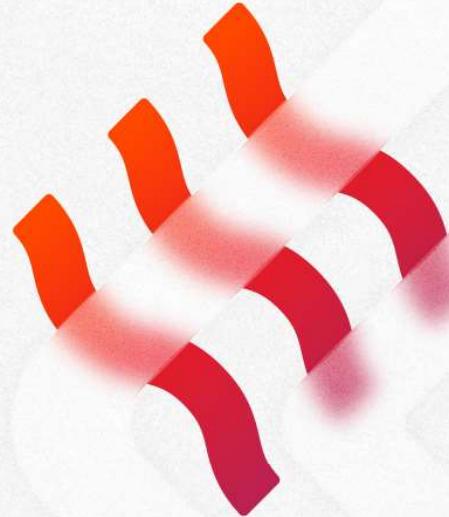
We maintained portfolio quality and an adequate cushion of provisions

We developed bit app lines of bussiness and took further steps towards its monetization

We introduced an updated code of ethics and formulated values supporting an organizational culture that promotes business growth, which are embedded in our work routines



Entering 2022 with proven execution capabilities



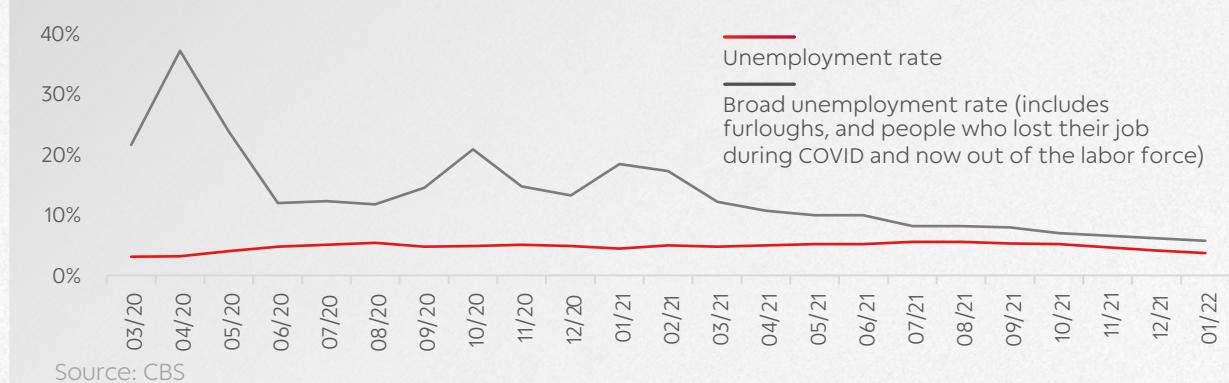
CFO, Ram Gev
Financials & strategy

Tight labor market and higher inflation are expected to lead to a first rate hike

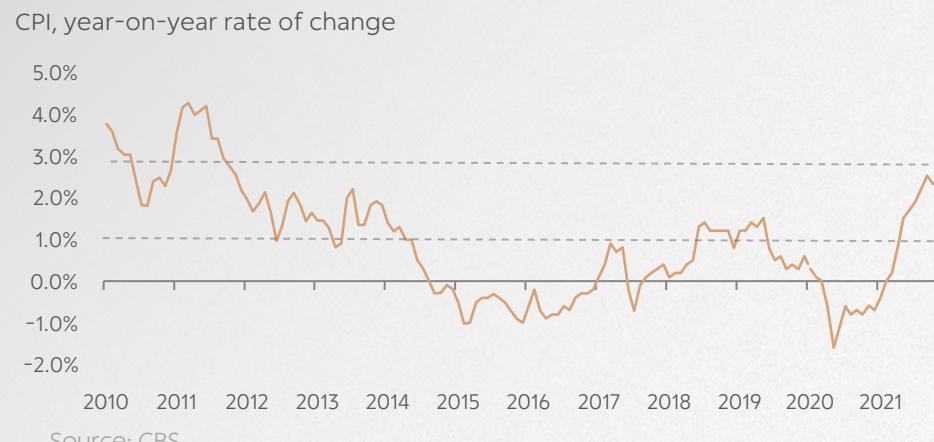
A rebound in GDP



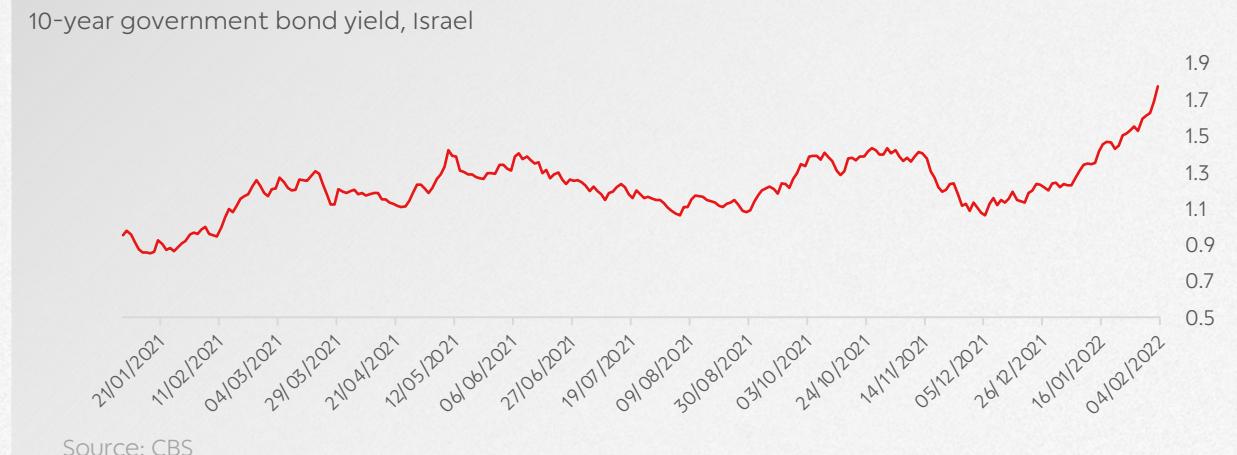
Unemployment rate declined to pre-COVID levels



Inflation is up, albeit lower than in most advanced economies



Long-term rates have increased; rate hikes are now implied



The macroeconomic environment was supportive for the bank's balance-sheet and P&L

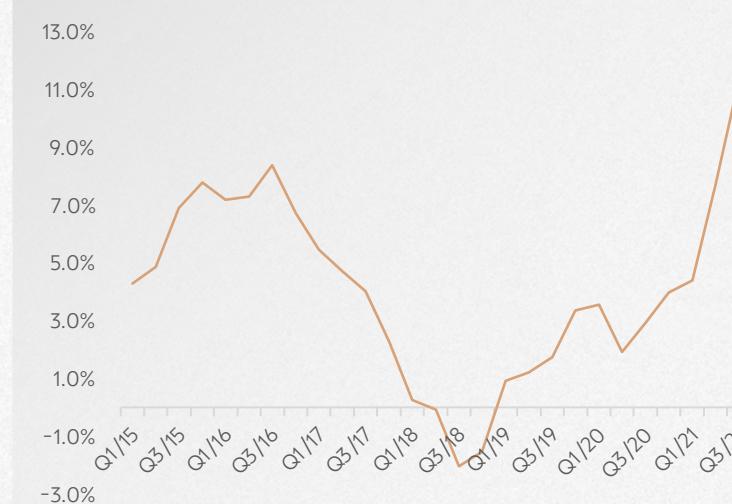
Construction activity has increased

No. of apartments under active construction, thousands



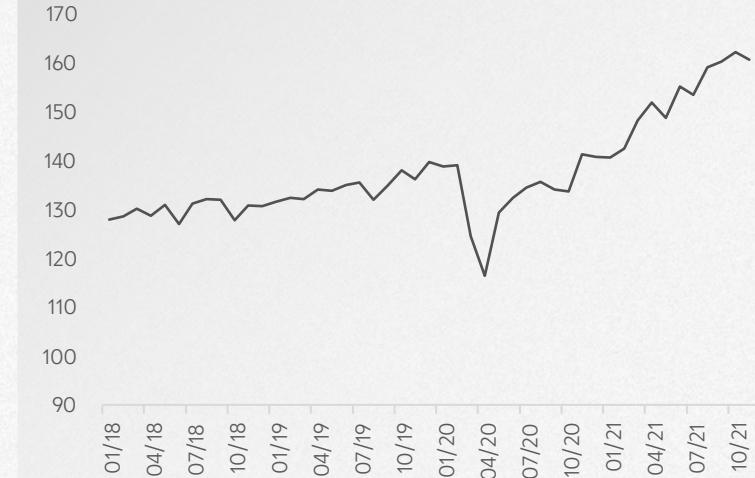
Higher real estate prices fuel the credit market

YoY rate of change in housing prices



C&I activities higher than in the pre-COVID period

Revenue indices of total economy



Strong business drive and results

Robust profitability

Increase of 9.2% YoY in total income as we captured business opportunities across all segments of operations

Income from credit losses due to reversal of collective provision and lower individual provision

ROE

11.8%

2021

9.1%

4Q21

Significant credit growth; outpaced the market

Economic rebound and our preparedness to meet the increased demand, led to 24.8% and 23.3% growth YoY, in corporate and commercial credit, respectively

Mortgages increased 16.1% YoY, supported by the all-time highs in the market

Credit to the public

16.8%

YoY

5.2%

QoQ

Reversal of most of COVID-19 reserve; asset quality remained resilient

NPL ratio at pre-COVID level

Problematic debt declined by 20.2%, constituting 2.7% of total credit vs. 4.0% at the end of 2020

Reserve maintained high, more than double the NPL balances

Credit deferrals down to 0.4% of the book

LLP ratio and NPL ratio

-0.37%

2021 provisions ratio

0.81%

December 31 NPL ratio

Capital management

Large capital surplus coupled with strong organic capital generation allowed enhanced credit growth

Distributed NIS 1.5 Bn in respect of 2020-2021 profits

USD 1 Bn Green Tier 2 issuance to support credit growth and improve capital structure

CET-1 ratio and dividend

10.96%

December 31 CET-1 ratio

1.5 Bn

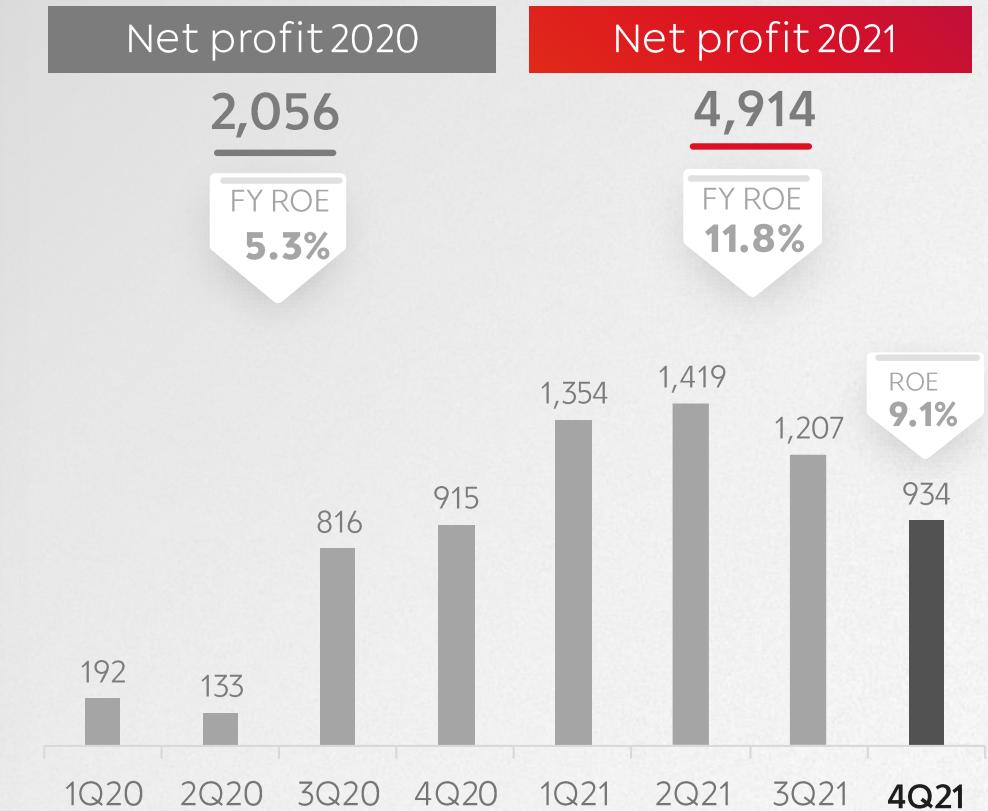
Dividend distributed during 2021

Strong profitability in 2021 NIS million

P&L highlights

	4Q20	3Q21	4Q21	2020	2021
Total net financing profit	2,492	2,777	2,680	9,885	10,848
Fees and other income	845	867	954	3,291	3,544
Total income	3,337	3,644	3,634	13,176	14,392
Operating and other expenses	1,908	1,999	1,905	7,501	7,803
Profit before provisions and taxes	1,429	1,645	1,729	5,675	6,589
Provision for credit losses	-187	-252	187	1,943	-1,220
Profit before taxes	1,616	1,897	1,542	3,732	7,809
Net profit	915	1,207	934	2,056	4,914
ROE	9.6%	11.8%	9.1%	5.3%	11.8%

Net profit



Notes: 1. Excluding special items, net profit for 1Q20 totaled NIS 313 million, net profit for 2Q20 totaled NIS 161 million, net profit for 2020 totaled NIS 2,205 million (ROE of 5.7%), net profit for 4Q21 totaled NIS 977 million (ROE of 9.5%) and net profit for 2021 totaled NIS 4,957 million (ROE of 11.9%).

2. For a full profit and loss disclosure, please refer to the Bank's financial statements for 4Q21.

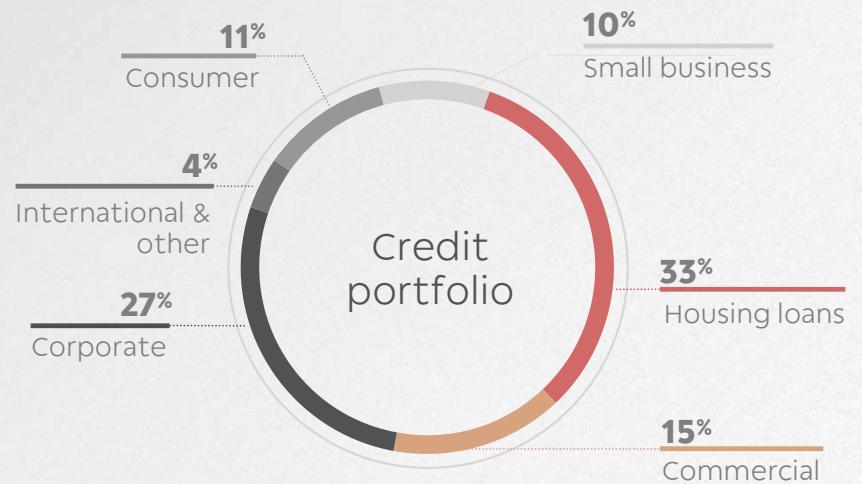
Robust credit growth; demonstrated ability to meet high demand

Credit portfolio

353 NIS billion



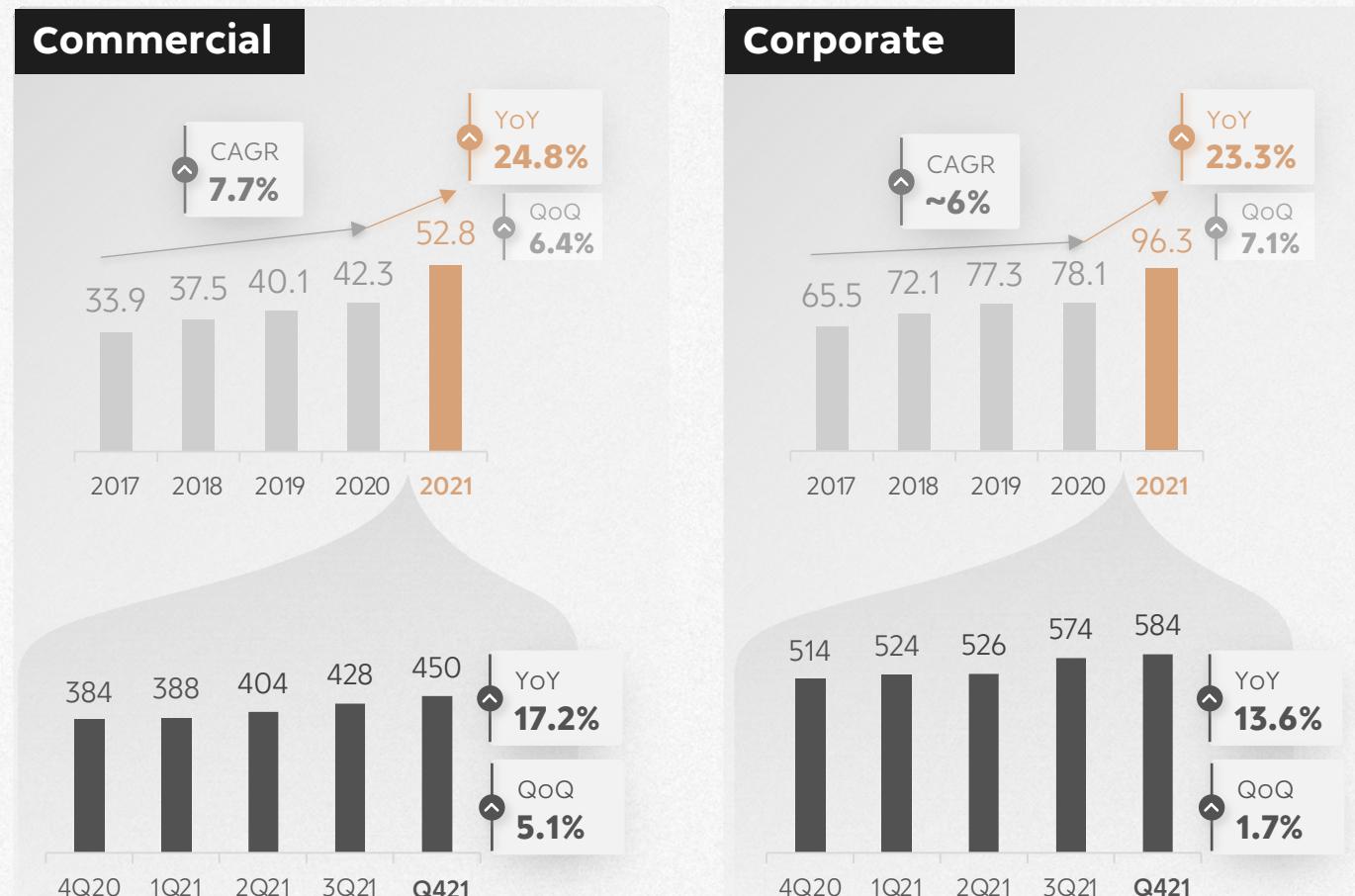
Well-diversified credit portfolio



Business credit growth laid the foundation for an increase in income

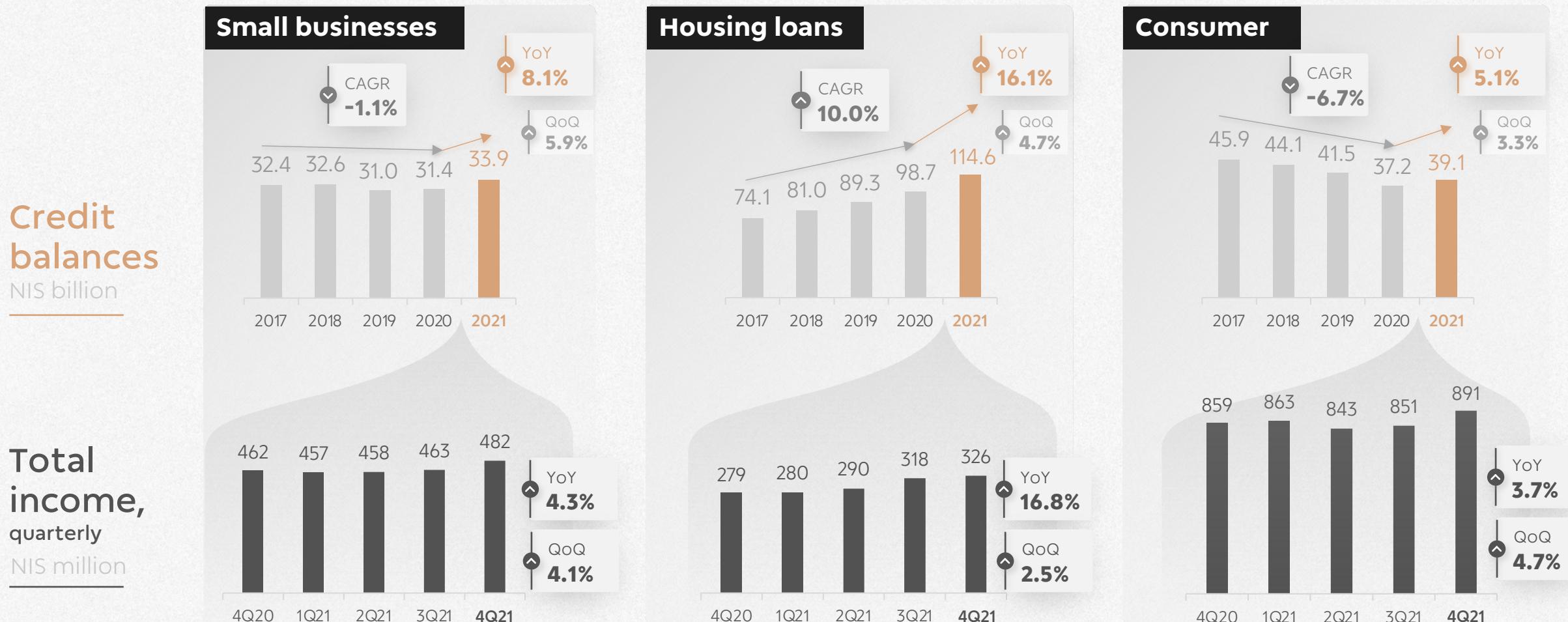
Credit balances
NIS billion

Total income,
quarterly
NIS million



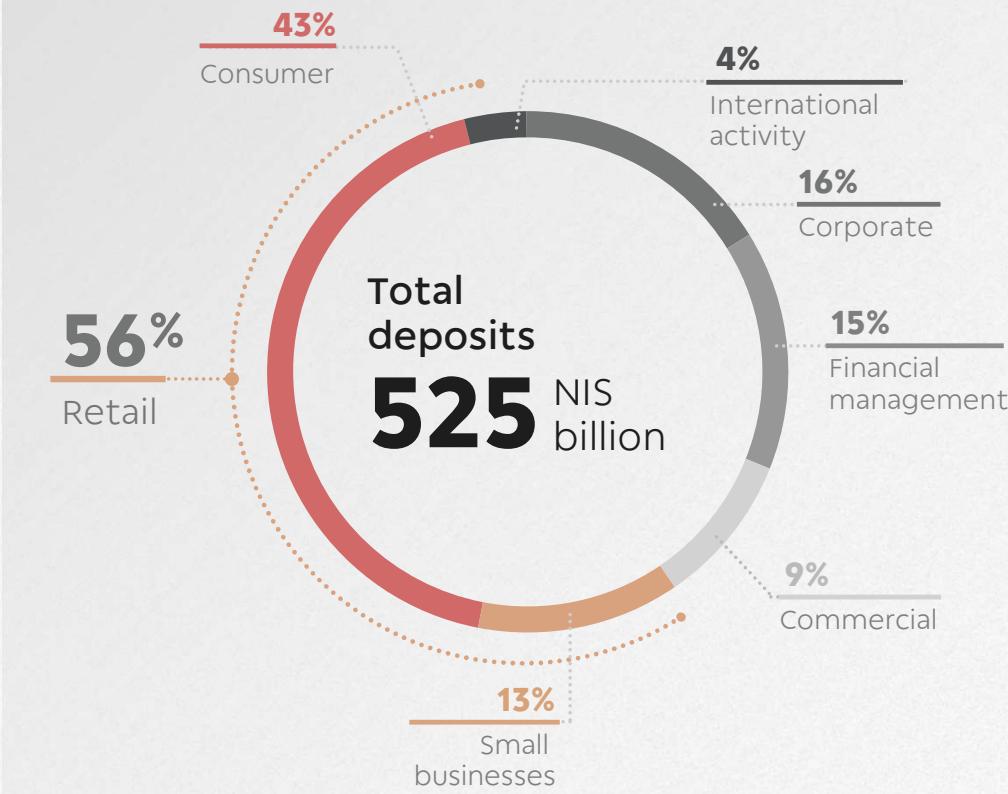
Note: 2019 and 2018 corporate credit balances were reclassified in the 2020 financial report. 2017 balances were not reclassified.

Retail credit growth laid the foundation for an increase in income



Surging deposits on the back of high liquidity in the market; well positioned for rate hike

Deposit base



Largest retail deposit base in the sector

292 NIS billion

YoY
6.2%

QoQ
1.1%

LCR

124%

Above regulatory requirement of 100%

NSFR

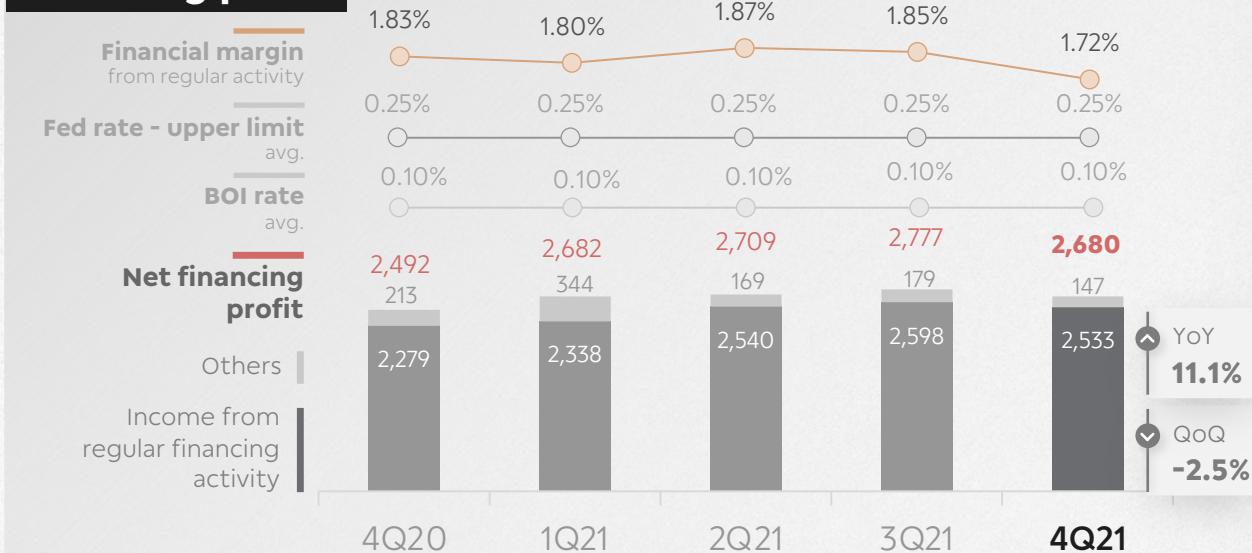
141%

Non-interest-bearing deposits
of total deposits: 45%

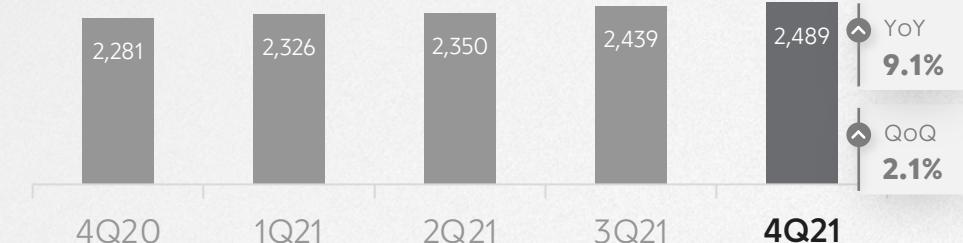
Continued revenue momentum in core banking

NIS million

Financing profit



Income from regular financing activity excl. CPI



Financial margin

from regular activity

Fed rate - upper limit

avg.

BOI rate

avg.

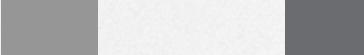
Net financing profit

Others

Income from regular financing activity



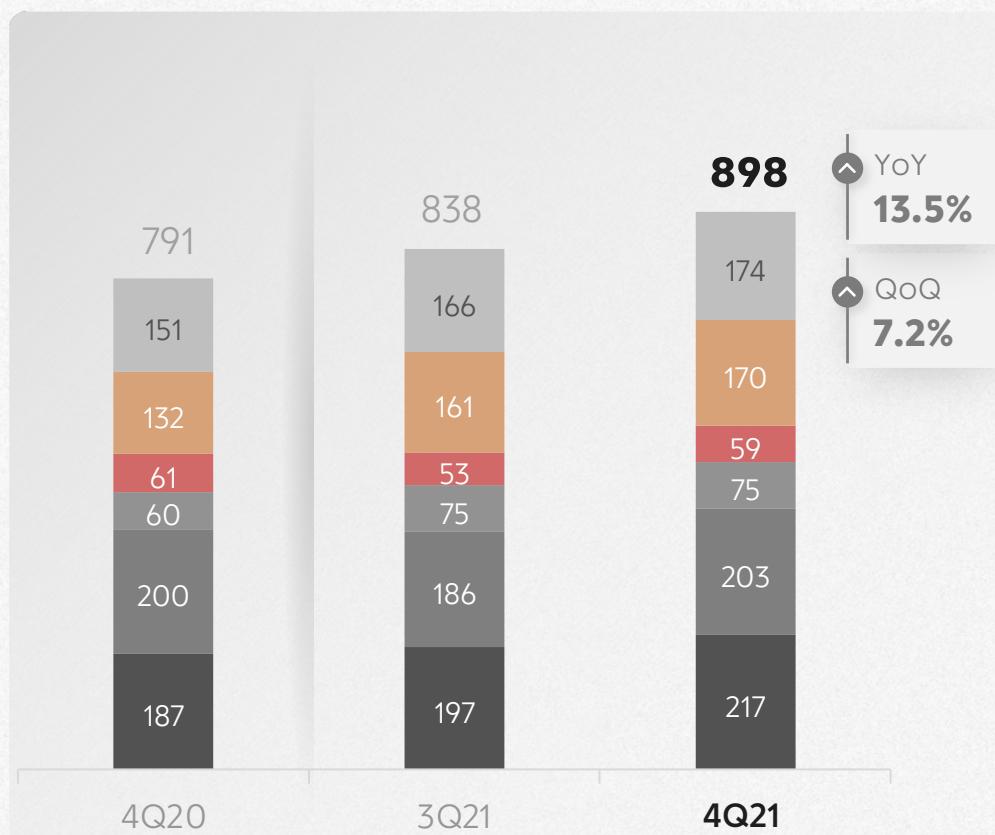
Financial margin was materially impacted by the substantial increase in balance sheet



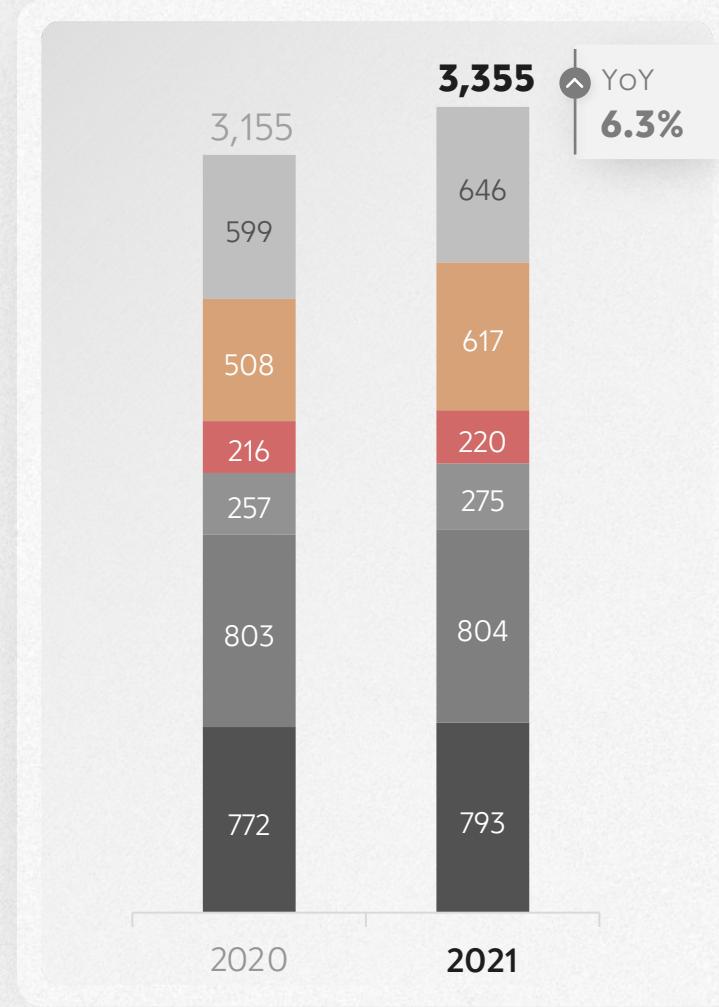
YoY ↑ 6.2%

Fee growth across all types; supported by increased business activity

NIS million

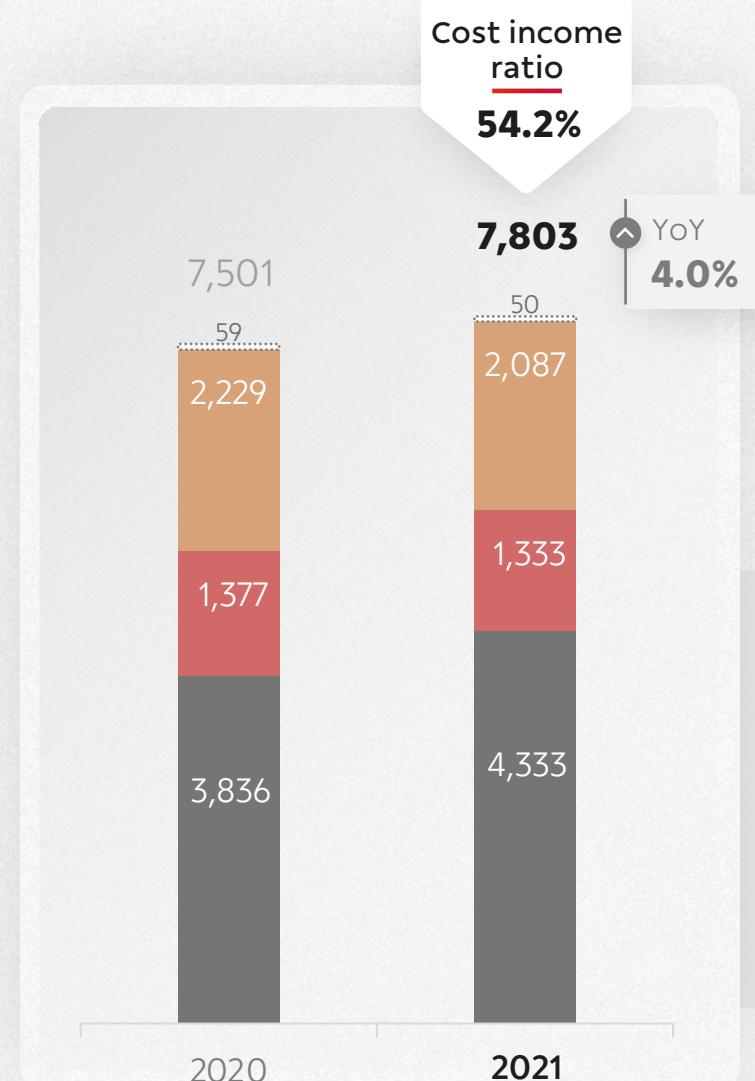
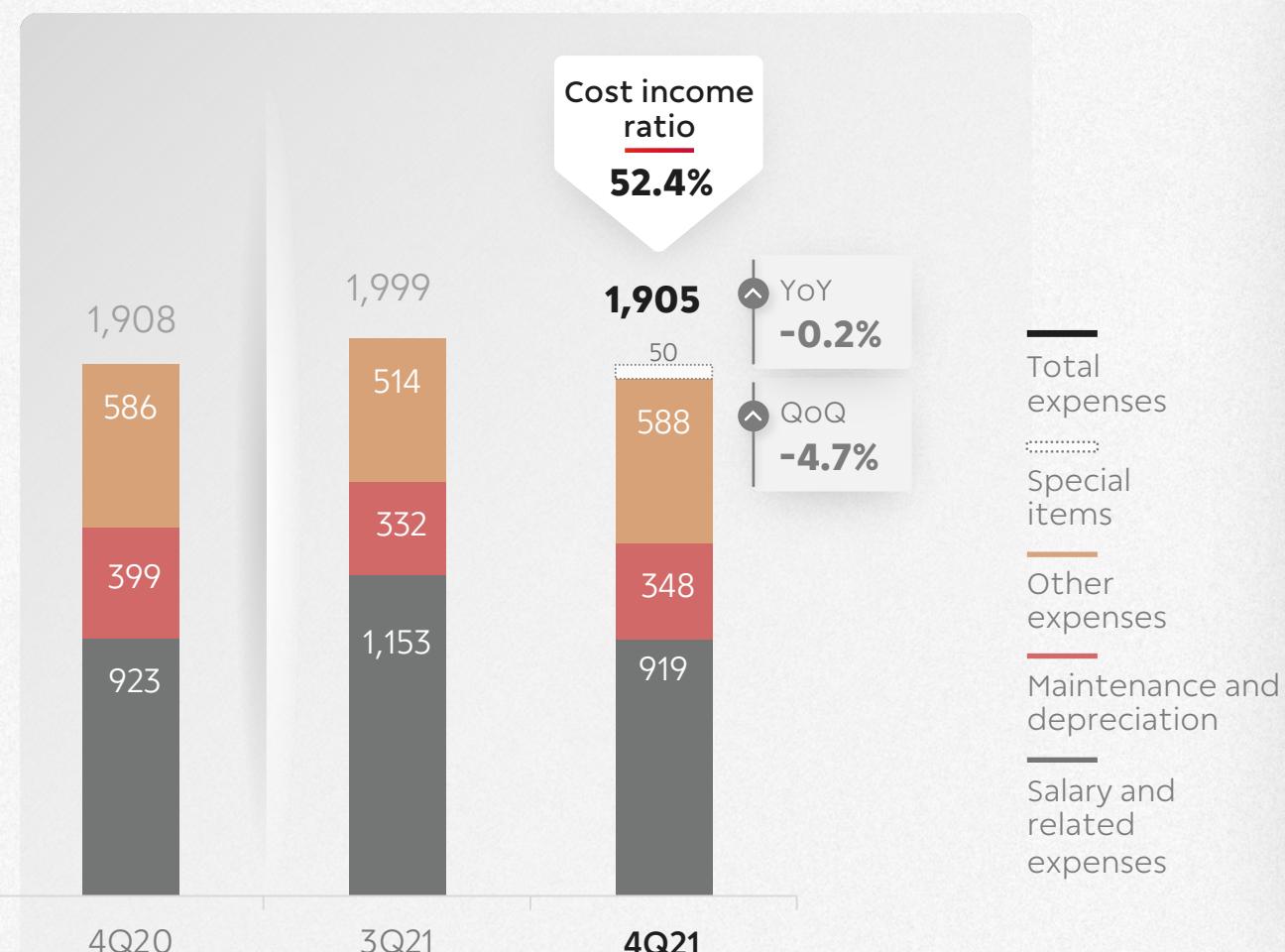


- Total fees
- Other fees
- Financing activities
- Credit handling
- Credit cards
- Securities
- Account management



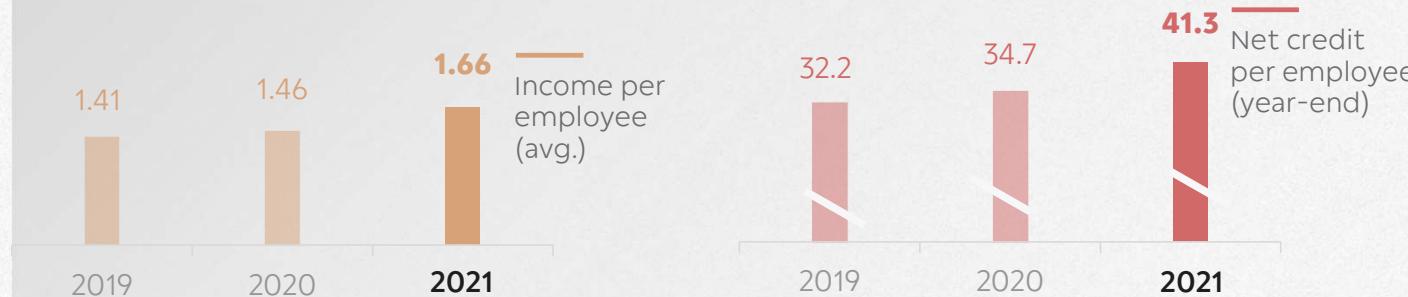
Disciplined management of operating expenses

NIS million



Improved productivity reflects our focus on both income growth and cost control

Productivity ratios, NIS million



Headcount, year-end



Branches, year-end



Efficiency plan well on track

- Early retirement of over 900 employees by 2022
- Headcount reduction partially mitigated by growth supporting recruitments

New HQ building deal on track

- Relocation planned for late 2025
- Innovative advanced infrastructure will save operating expenses
- Promoting plans for betterment of current properties in prime locations in Tel Aviv

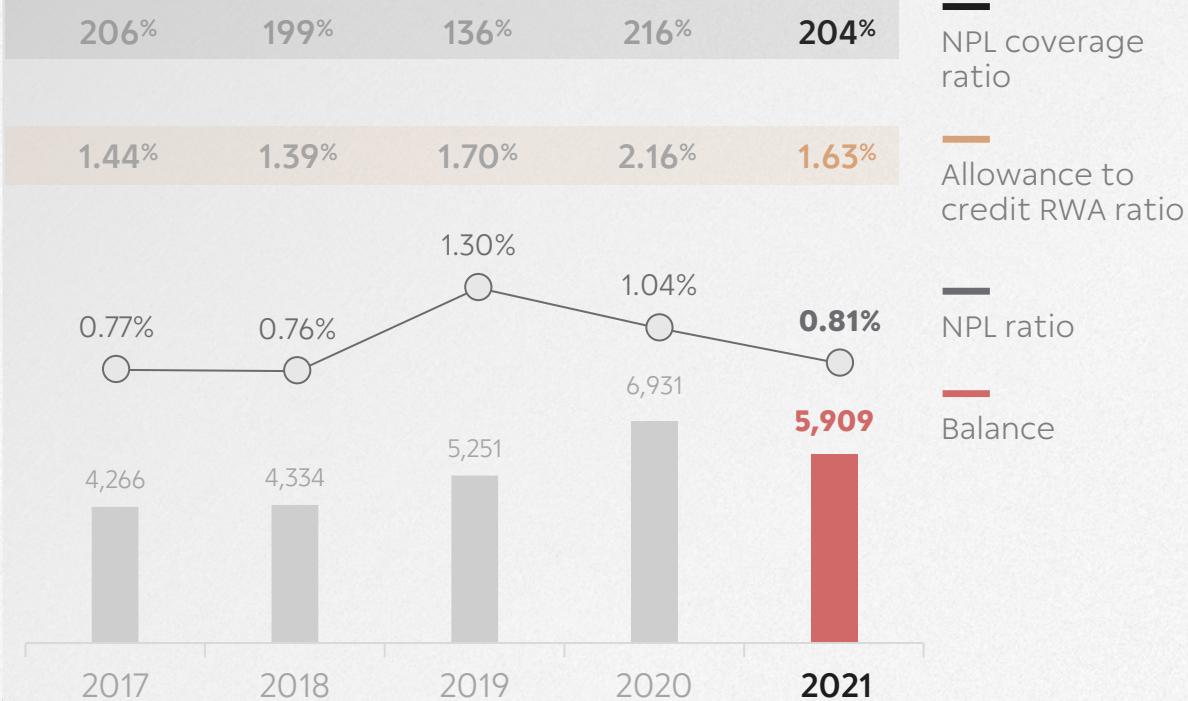
Asset quality remained resilient; reserve remained high despite partial reverse

NIS million

Credit losses provision and ratio, annual



Allowance for credit losses



Credit losses provision and ratio, quarterly



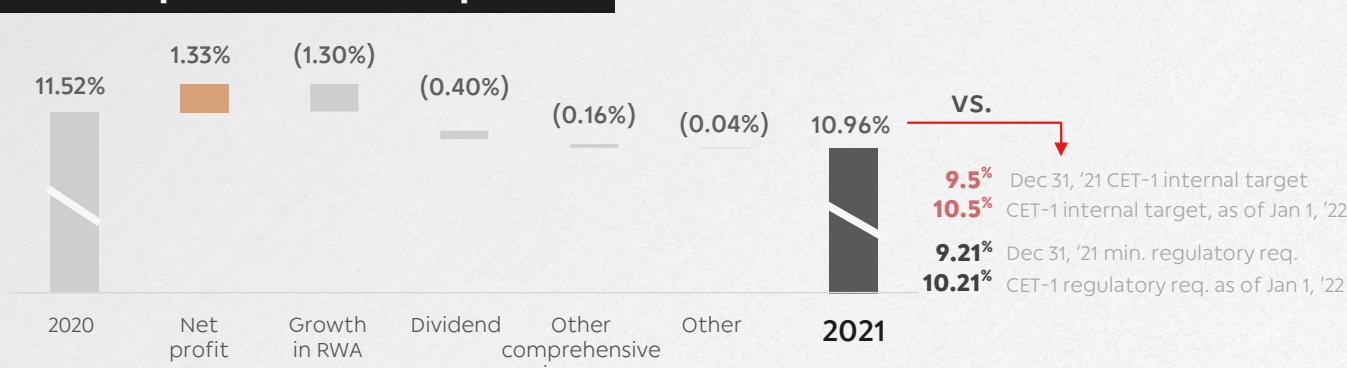
COVID-19 deferrals **0.4%** of total credit

Capital surplus supported the high growth and allowed dividend distribution

CET-1 capital and RWA, NIS billion



CET-1 capital ratio development



Dividend distributed in 2021 (Aug. & Dec.)

1.5 NIS billion

of which, NIS 862 million in respect of 2021 profits

The Board decided not to declare an additional dividend in respect of 2021 profits, in order to utilize the capital to meet the continuing high demand for credit.

Total capital ratio

14.22% vs. Dec 31, '21 reg. req. of 12.5%
 reg. req. as of Jan 1, '22 is 13.5%

Leverage ratio

6.03% vs. current reg. req. of 5.5%
 (6.0% - reg. req. pre-relief)

Note: For additional information regarding capital requirements, refer to note 9 in the 4Q21 financial report.

Corporate strategy focused on three pillars

Committed to growth through innovative and fair banking for our customers

1

Growth in core banking

2

Create a new way to bank

3

Build a growth-supporting organizational infrastructure

Retail banking

- Increase digital direct sales through advanced analytical tools
- Further adapt retail network to enhance sales capabilities and advisory services
- Expand market share in mortgages

Commercial and corporate banking

- Strengthen relationship and extend activity with clients
- Expand dealing and brokerage activity by improving the digital offering

- Acquire new customers in the digital arena using the "bit" application platform
- Solidify leading positions in the payment market by expanding the range of payment solutions offered through "bit" and expanding collaborations with e-commerce partners
- Leverage the open-banking infrastructure to create new revenue sources

- Further encourage a customer-centric and growth-supporting organizational culture
- Modernize core IT systems to improve time-to-market capabilities and reduce IT costs
- Bring cutting-edge data analytics

Growth in core banking

Corporate banking

- We adapted our processes to the demand in the market and significantly shortened loan approval time
- We invested in top-tier technological platforms to achieve a leadership position: a syndication system, a factoring system and more
- We introduce new products, such as digital guarantees

Mortgages

- We expanded our capacity:
 - Upgraded our IT systems
 - Recruited mortgage advisors
 - Opened call centers dedicated to sales and customer retention
 - Introduced digital mortgage applications

Consumer credit

- We expanded and improved our communication channels through advanced features such as the Financial Partner and the Chat bot
- We launched a new customer club: "Poalim Wonder"
- We signed an agreement with "Blender" to grant consumer credit at POS



Increased contribution of Poalim Equity to the Bank's profitability

- The Bank's non-financial investments arm
- Fully owned by Bank Hapoalim
- Lines of business:

Investment Platform

- Direct equity investments
- Alternative investments
- Equity syndication origination

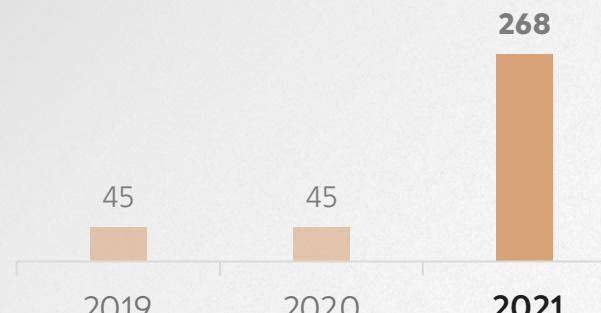
Advisory Services

- Local & cross-border investment banking (IPO/SPAC, M&A, private placements) with their US strategic partner William Blair
- Fund placements
- Local underwriting – 27.3% holding in Poalim IBI

Total portfolio



Contribution to the Bank's net profit



Leading investments



Sugat is a local leader in the food industry



Newpan is one of the leading electronic importers in Israel



Apex Clean Energy is a developer of commercial-scale wind and solar energy facilities in North America



CPV (Competitive Power Ventures) is a leading North American electric power generation development and asset management company



Pagaya is a FinTech company that enables financial institutions to expand access to financial service products



Via is a leading global on-demand public mobility solutions for commuters

Bit – the leading platform in Israel for payments and financial transactions

Current offering

P2P

The leading payment app in Israel with

2.7 active users

Claims disbursements

Working with almost all insurance companies and pension funds

Bill payments

- Water bill
- Municipal tax
- Toll road

P2M (online payments)

Working with:

- Over 10k merchants
- Leading PSPs (payment service providers) in Israel

Digital wallet and bitcard

One stop shop for payments

- Tap payment
- Bitcard – designated non-bank loyalty club credit card

Bit's future potential

- Transaction-based loans, including POS
- Instant consumer loans and revolving credit
- FX P2P



#1
payment app
bit ➔

2021 key takeaways

1

Net profit of NIS 4.9 billion; **ROE** of 11.8%

2

Growth momentum in credit, YoY increase of **16.8%**

3

Credit growth led to a **leap forward in the income base**

4

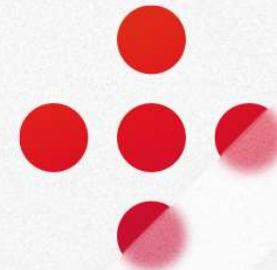
Improved asset quality; pre-pandemic level of indicators

5

CET-1 ratio of 10.96%; capital utilized to support both enhanced credit growth and **NIS 1.5 billion** in dividend

6

Significant advancement of bit;
potential to further develop new lines of business



Appendix

Key balance sheet items NIS million

Year ended	2020	2021
Cash on hand and deposits with banks	138,711	189,283
Securities	71,885	71,105
Net credit to the public	301,828	352,623
Deposits from the public	435,217	525,072
Deposits from banks	6,591	11,601
Bonds and subordinated notes	23,490	25,582
Shareholders' equity	39,873	42,735
Total balance sheet	539,602	638,781

Note: For a full balance sheet analysis, please refer to the Bank's financial statements for FY21.

Key profit and loss items NIS million

Year ending December 31	2020	2021
Total net financing profit	9,885	10,848
Fees and other income	3,291	3,544
Total income	13,176	14,392
Wages	(3,836)	(4,333)
Maintenance and depreciation of buildings and equipment	(1,377)	(1,333)
Other expenses	(2,229)	(2,087)
Special items	(59)	(50)
Total operating and other expenses	(7,501)	(7,803)
Provision for credit losses	(1,943)	1,220
Profit before taxes	3,732	7,809
Provision for taxes on profit	(1,590)	(2,958)
Net profit*	2,056	4,914
ROE*	5.3%	11.8%

* Excluding special items net profit totaled NIS 4,957 million (ROE of 11.9%) in 2021 and NIS 2,205 million (ROE of 5.7%) in 2020 .

Note: For a full profit and loss analysis, please refer to the Bank's financial statements for FY21.



◆ bank hapoalim

Israel's leading
financial institution