



Quarterly Financial Review

1Q22



1Q
22

Disclaimer

This presentation includes condensed information and selected data from Bank Hapoalim's first-quarter 2022 financial results.

This presentation is not a substitute for the Bank's first-quarter 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 detailed from time to time in the Bank's filings with the securities authorities.

Special items in ROE and net profit refer to provisions 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.

Key messages for the quarter

Robust profitability

- o Continued increase in income due to the growth in activity and high inflation
- o Income from credit losses

ROE **15.6%**

Cost-income ratio **50.9%**

Solid and responsible credit growth

- o Growth in line with recent macroeconomic developments
- o Maintained high quality of the book

QoQ credit growth **3.3%**

NPL ratio **0.92%**

Strengthened capital position despite unfavorable market impact

- o High organic capital generation
- o RWA mitigation
- o Capital supports a possible dividend resumption in respect of 2Q22 and onward*

CET-1 capital ratio **11.17%**

Total capital ratio **14.44%**

Favorably positioned to benefit from the new interest rate environment

- o Largest retail deposit base in the sector
- o High proportion of non-interest bearing deposits

Market expectation for BOI interest rate** **2.75%**

Interest rate sensitivity*** NIS **1.5** Bn

* Subject to, among other matters, the results of the Bank, market trends and developments, macroeconomic conditions, and the effect of the implementation of future regulatory directives, as well as compliance with legal tests

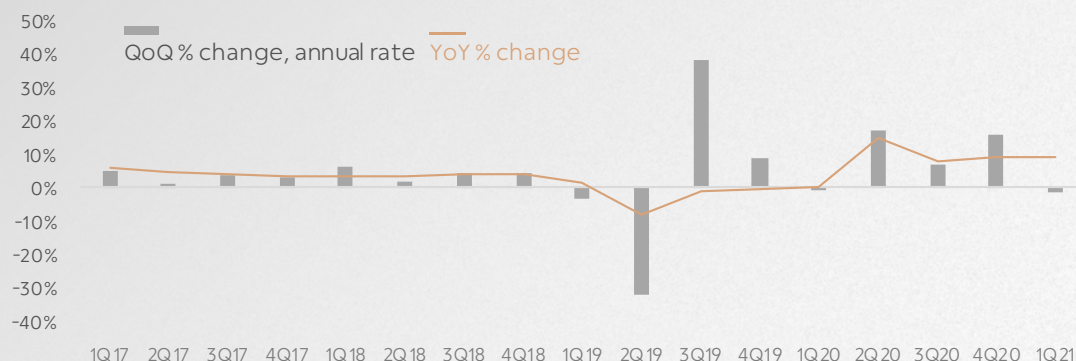
** Market implied for a 12-month horizon

*** The effect of a parallel 1% increase in interest rates on financing income

More challenging macroeconomic environment also creates some opportunities

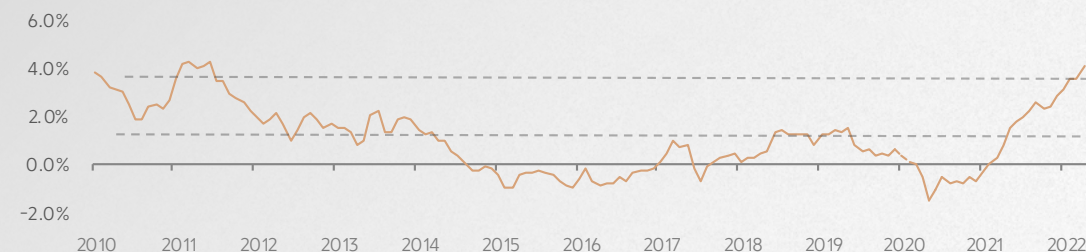
Growth has decelerated

GDP, % change

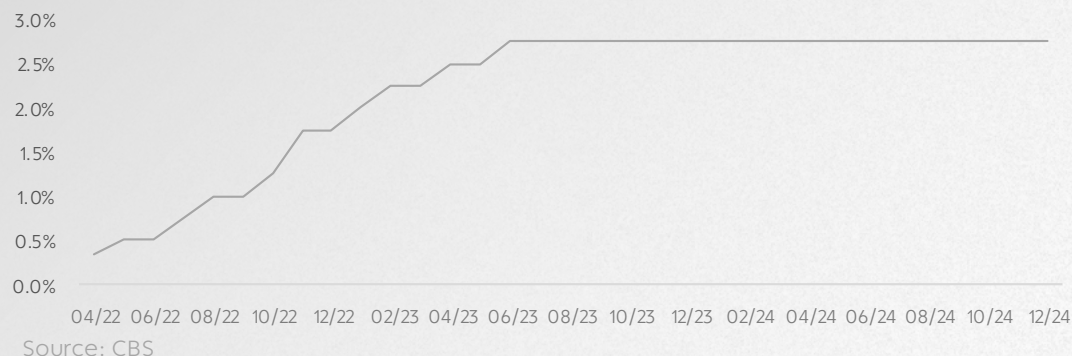


Inflation is up, albeit lower than in most advanced economies

CPI, year-on-year rate of change



Markets expect 2.75% BOI interest rate in the 12 month horizon



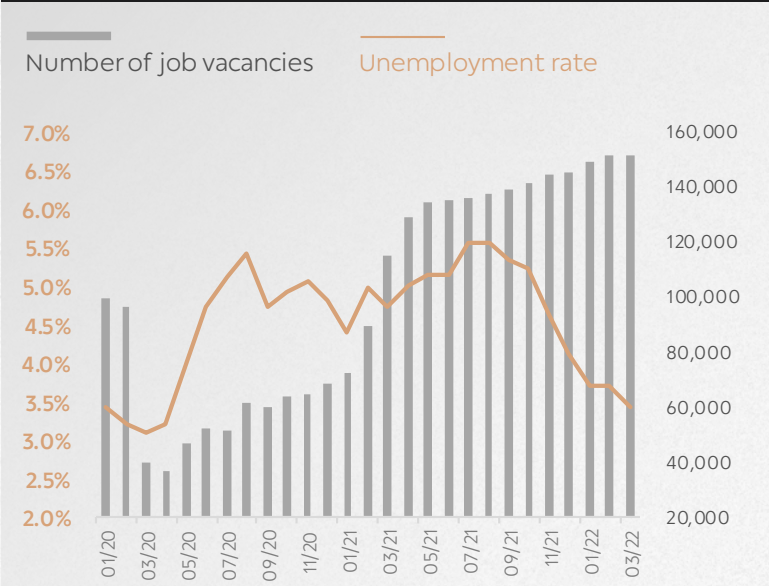
Long-term rates have increased; rate hikes are now implied

10-year government bond yield, Israel

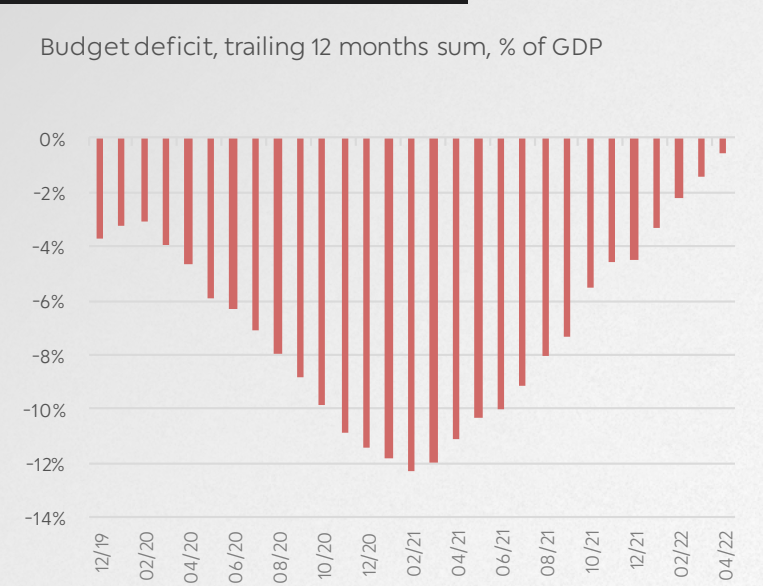


Strong fundamentals provide a cushion to the economy and the bank

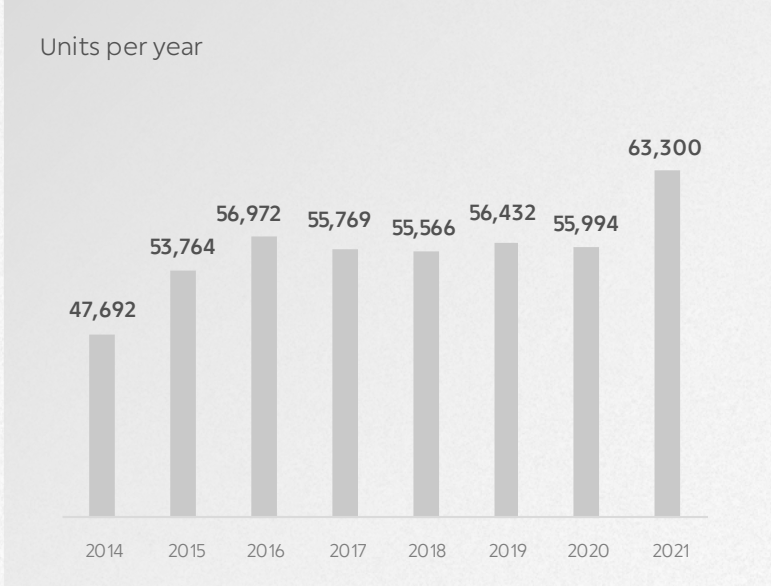
Despite the decline in the unemployment rate, the number of job vacancies continues to rise



Budget deficit declines to pre-Covid level



Housing starts



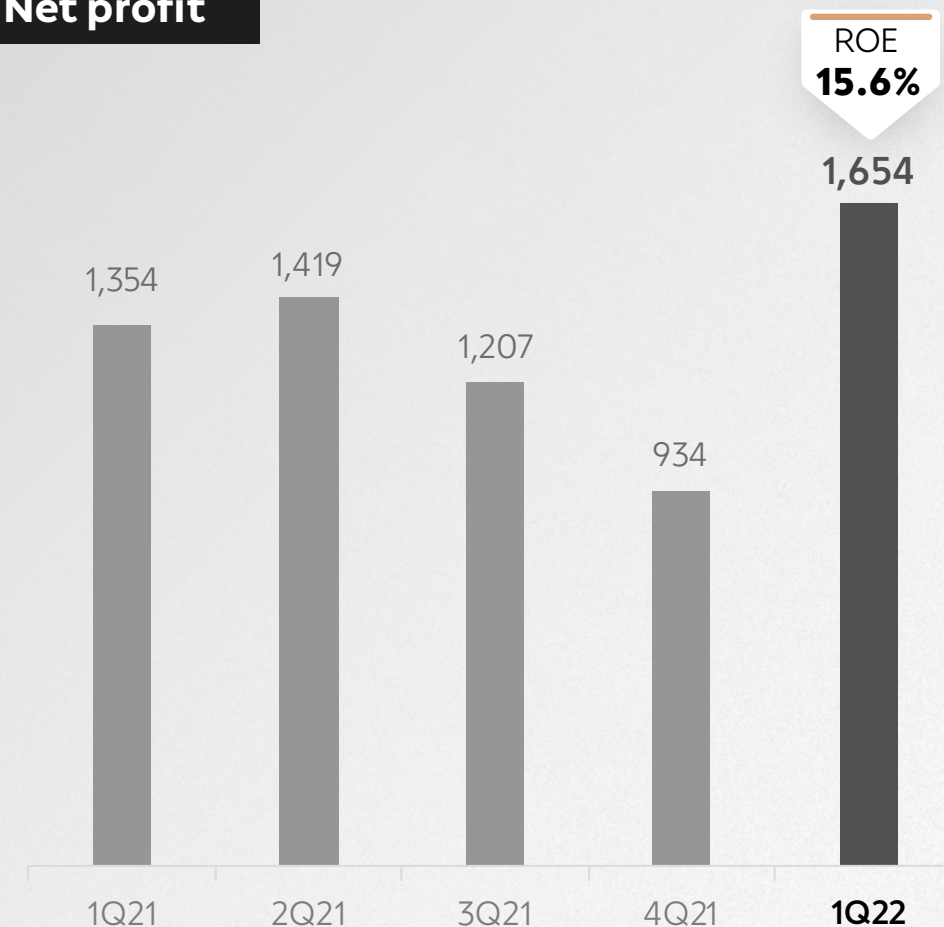
Source: CBS

Very strong profitability in the quarter NIS million

P&L highlights

	1Q21	4Q21	1Q22
Total net financing profit	2,682	2,680	2,864
Fees and other income	899	954	984
Total income	3,581	3,634	3,848
Operating and other expenses	1,919	1,905	1,958
Profit before provisions and taxes	1,662	1,729	1,890
Provision for credit losses	-508	187	-600
Profit before taxes	2,170	1,542	2,490
Net profit*	1,354	934	1,654
ROE*	13.5%	9.1%	15.6%

Net profit

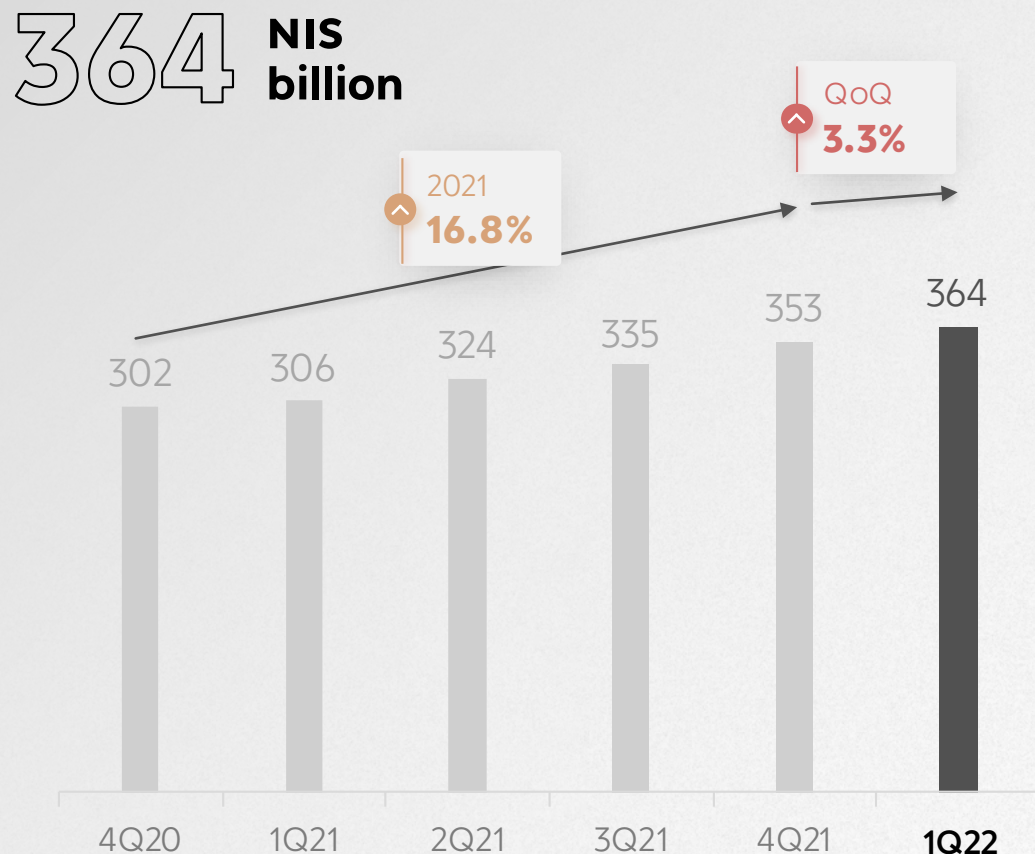


* Excluding special items, net profit totaled NIS 977 million (ROE of 9.5%) in 4Q21.

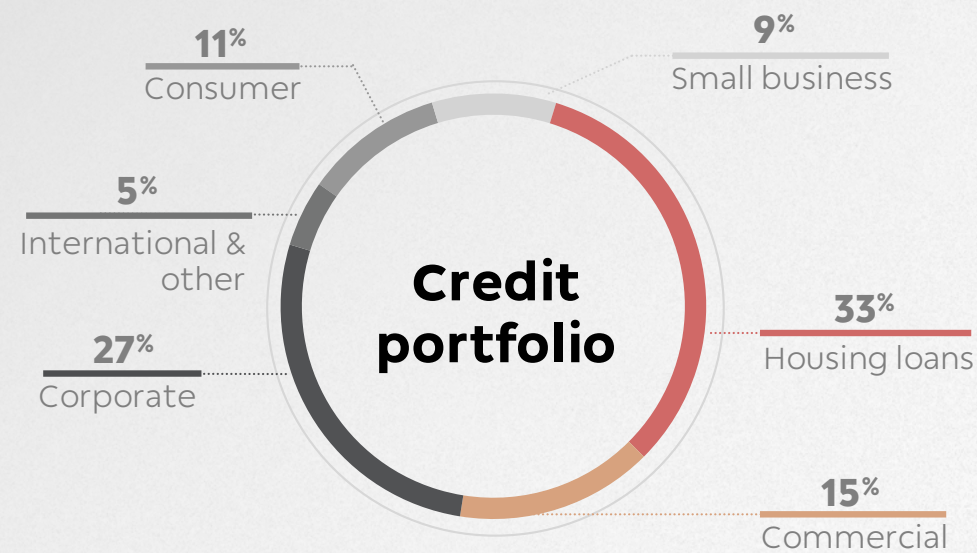
Note: For a full profit and loss disclosure, please refer to the Bank's financial statements for 1Q22.

Solid and responsible credit growth; in line with recent macroeconomic developments

Credit portfolio



Well-diversified credit portfolio

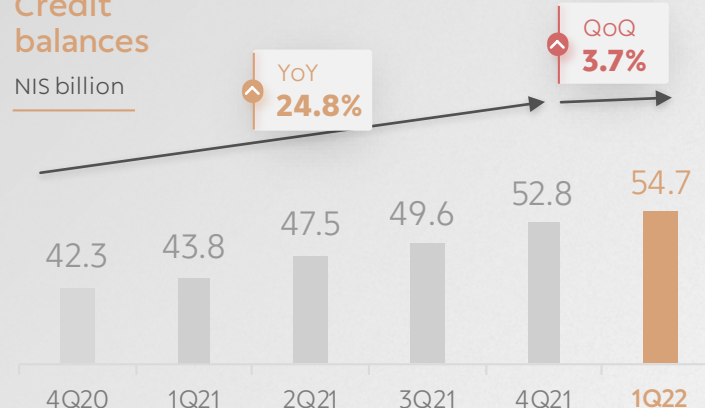


Solid credit growth; continued income momentum

Commercial

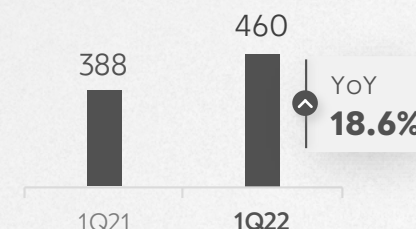
Credit balances

NIS billion



Total income

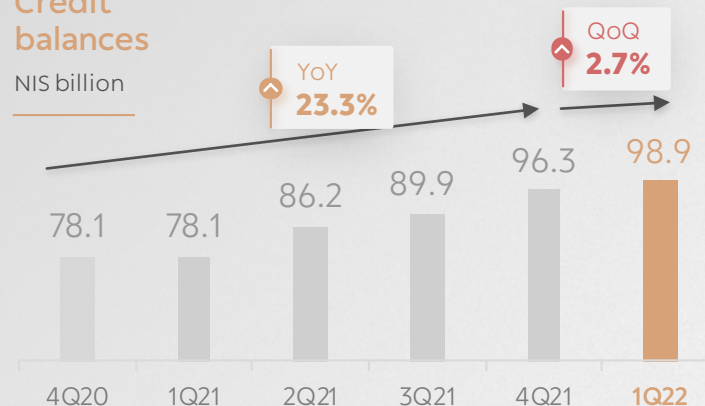
NIS million



Corporate

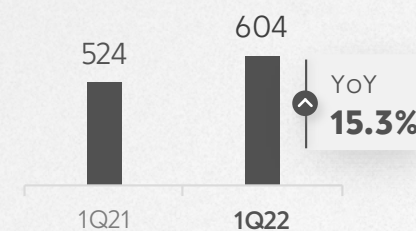
Credit balances

NIS billion



Total income

NIS million

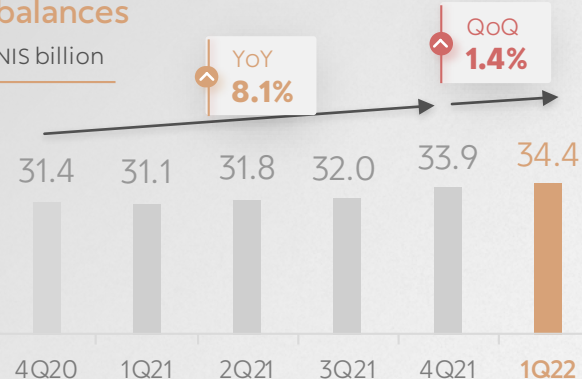


Solid credit growth; continued income momentum

Small businesses

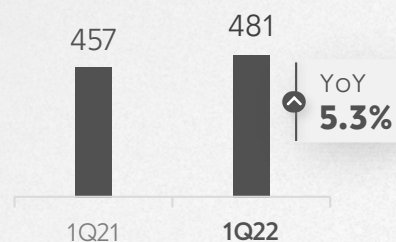
Credit balances

NIS billion



Total income

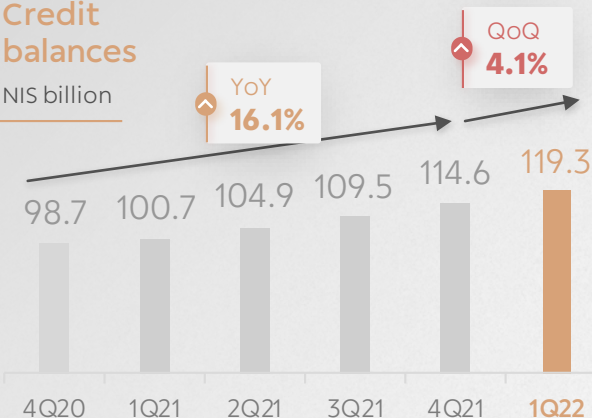
NIS million



Housing loans

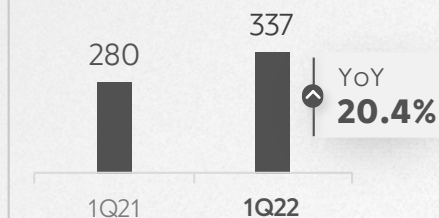
Credit balances

NIS billion



Total income

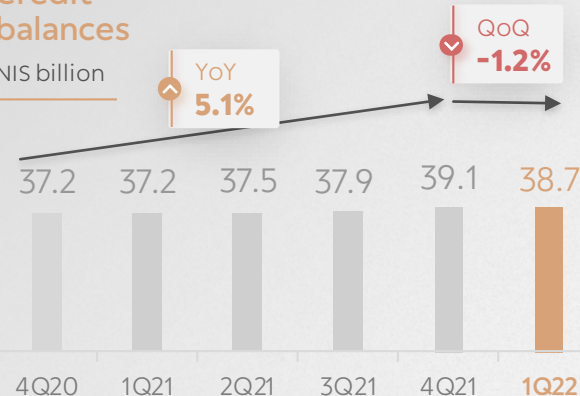
NIS million



Consumer

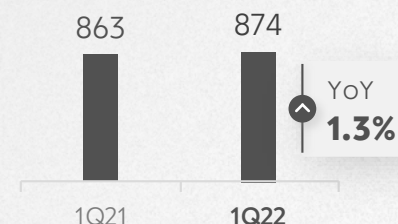
Credit balances

NIS billion



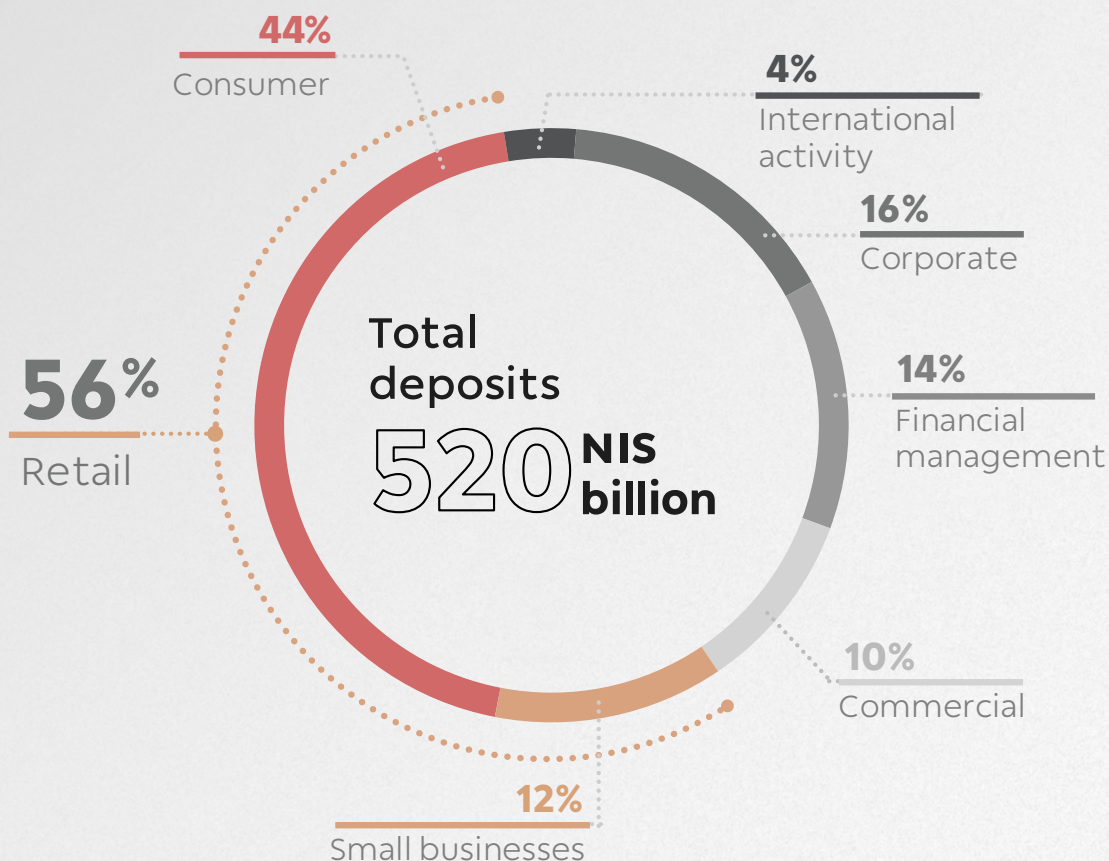
Total income

NIS million



Strong retail deposit base; robust liquidity position well above regulatory requirements

Deposit base



Largest retail deposit base in the sector

YoY
5.0%

QoQ
1.3%

296 NIS billion

81% of loans

LCR
123%

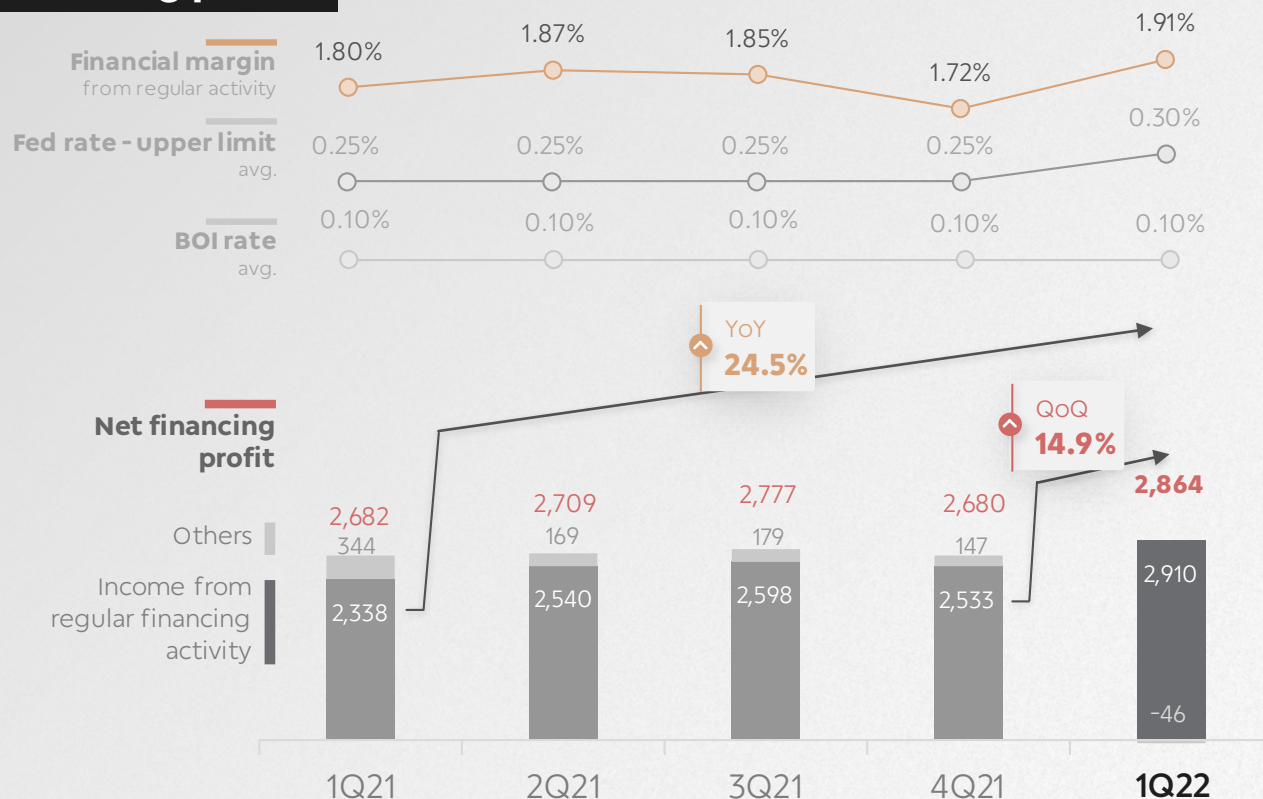
NSFR
134%

Above regulatory requirement of 100%

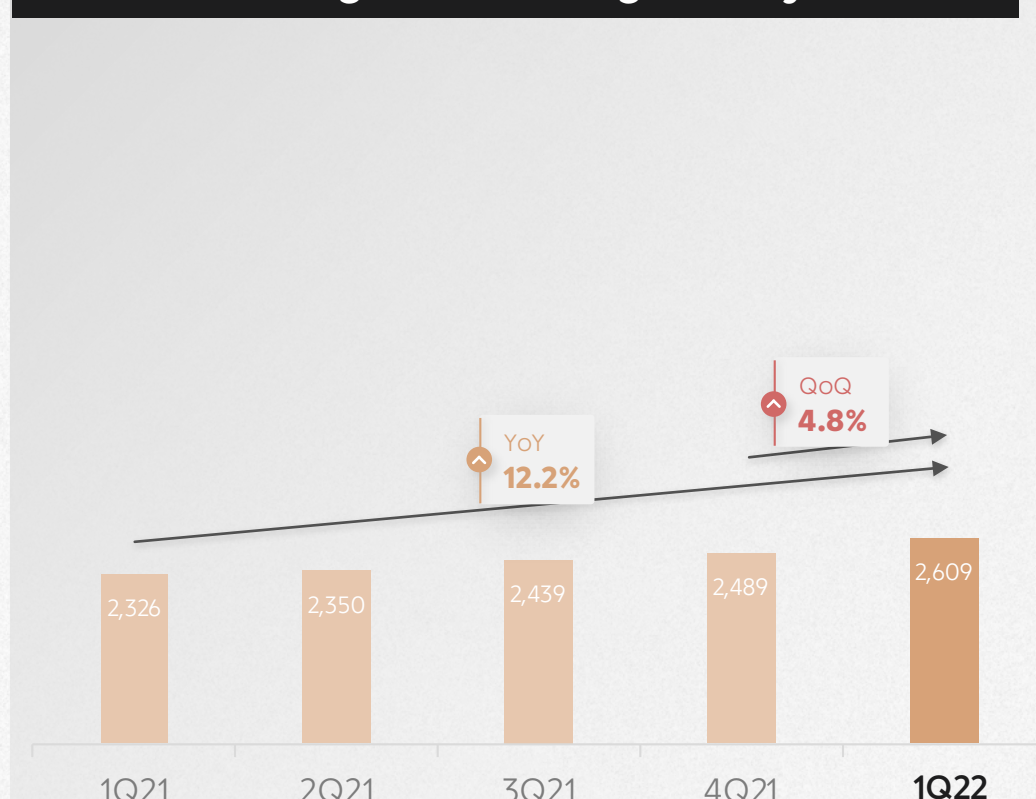
Continued revenue momentum in core banking; significant earnings upside

NIS million

Financing profit



Income from regular financing activity excl. CPI

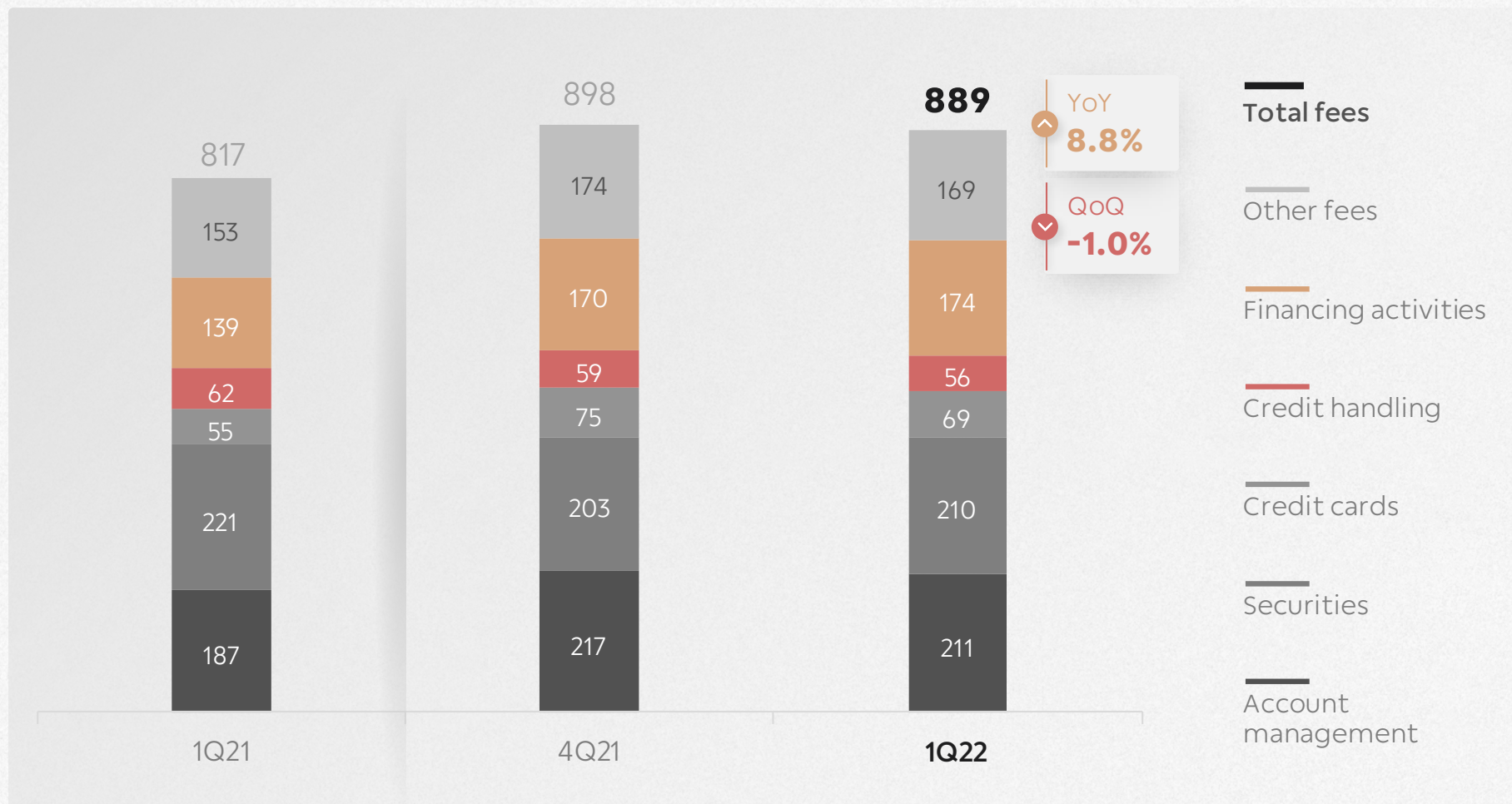


Effect of parallel increase of 1% in interest rates on financing income **1.5** billion

Known CPI in 1Q22 (vs. 0.2% in 4Q21 & 0.1% in 1Q21) **1.2%**

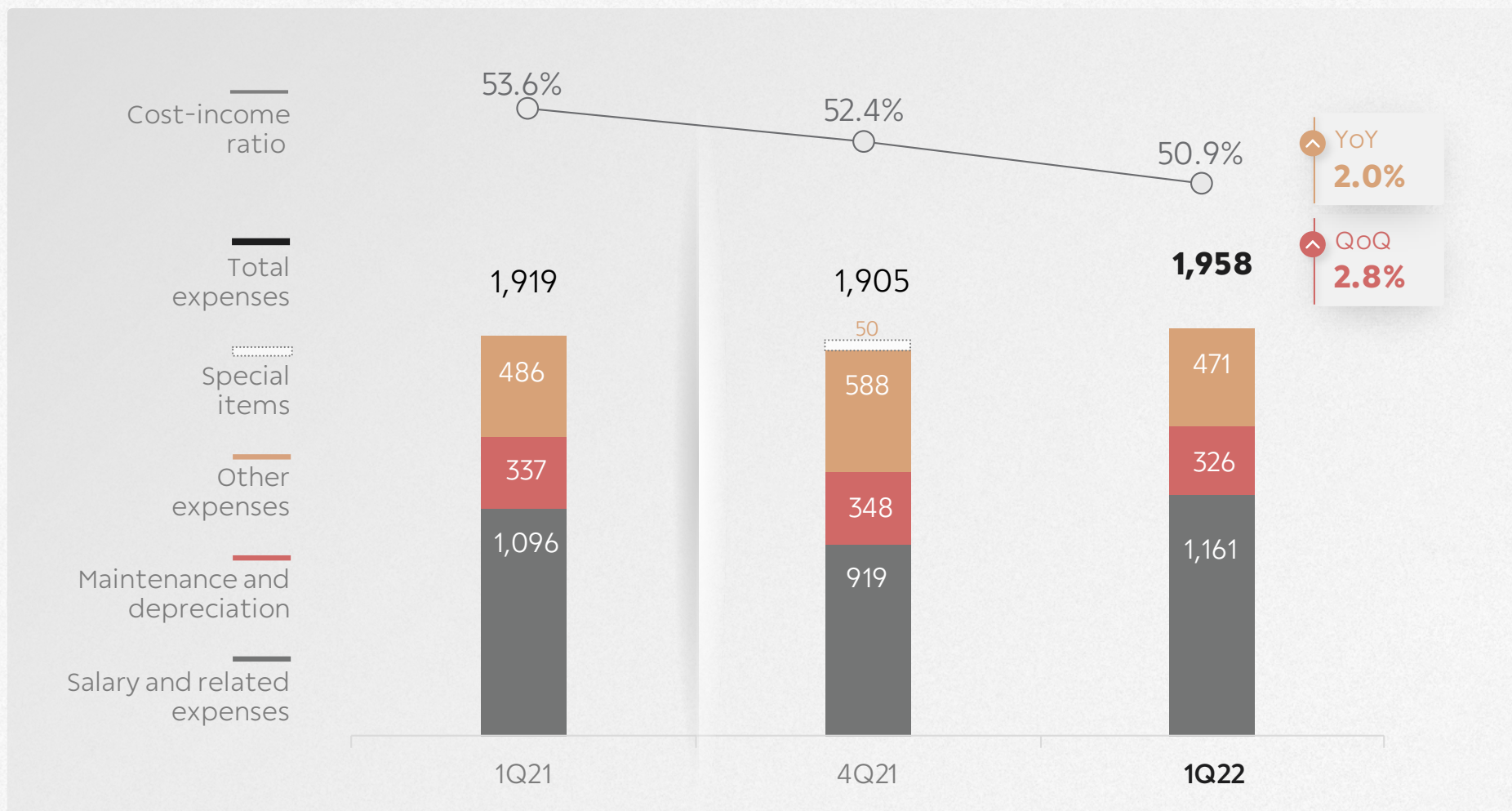
Positive trend in fees on the back of a good business drive

NIS million



Disciplined management of operating expenses

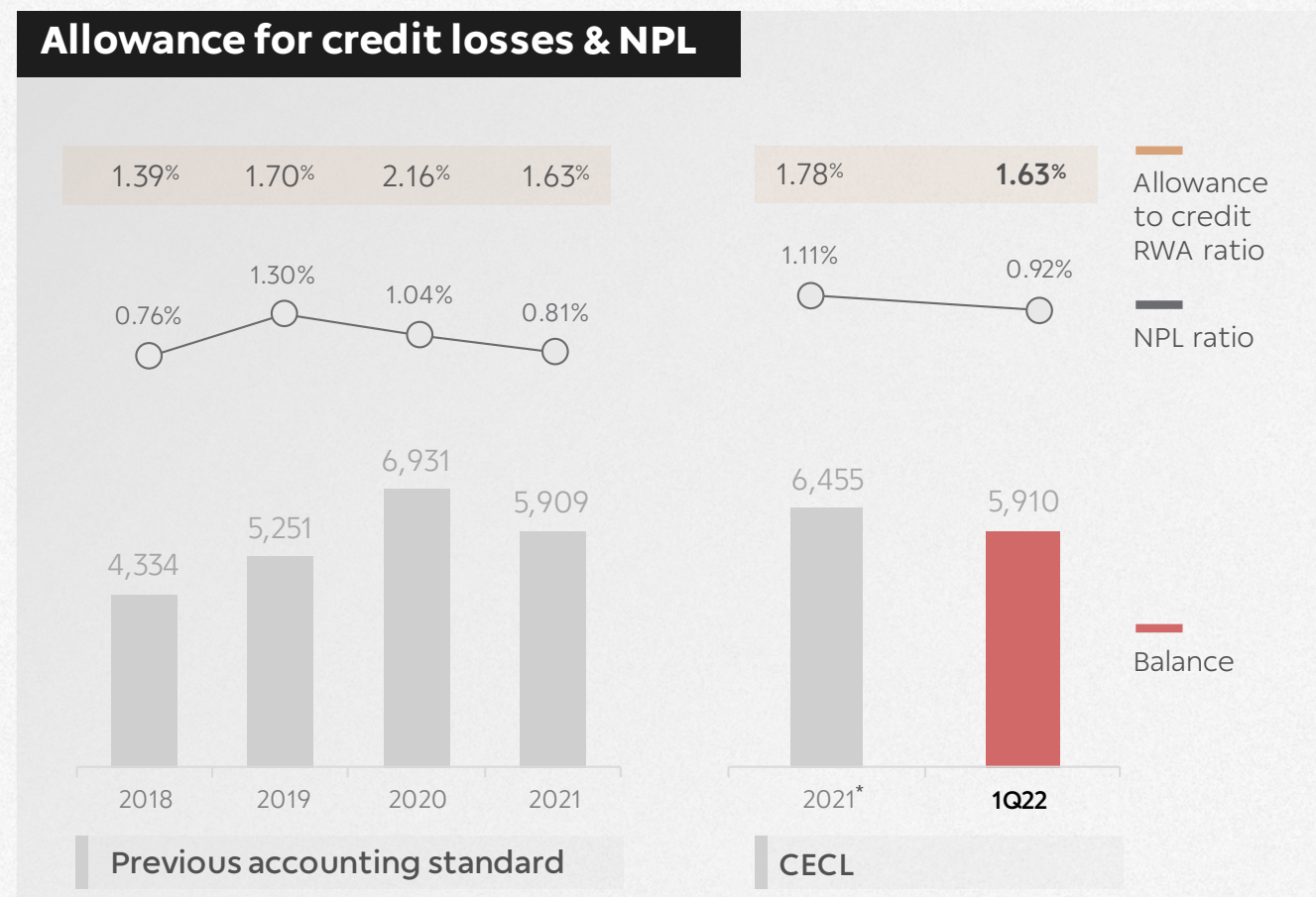
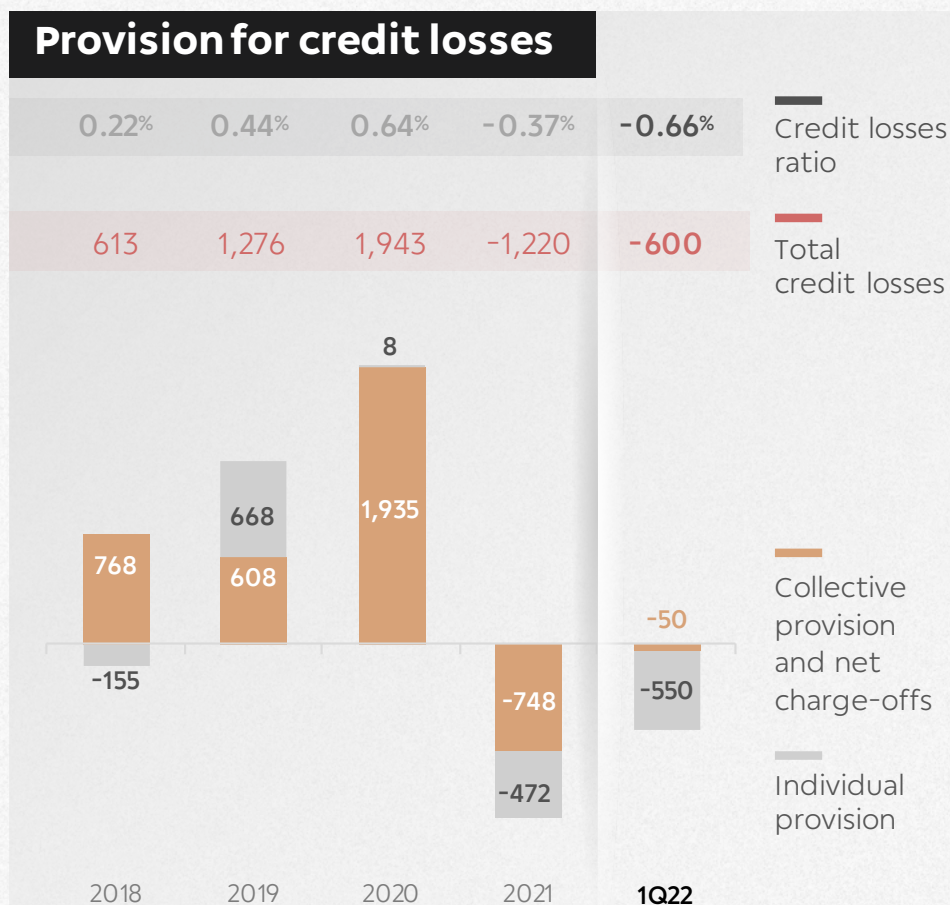
NIS million



Increase in salary expenses is attributed mainly to a provision for performance-based bonus and vacations

Asset quality remained resilient; allowance back to pre-Covid levels

NIS million



* Proforma data. The proforma allowance for credit losses includes the effect of the initial implementation of CECL

High underwriting standards

Construction and real-estate credit risk

only 1.1%

of real estate under construction
with
absorption capacity lower than 25%

only 1.3%

problematic credit risk
of
total credit risk

Risk mitigation

by insurance of land credit portfolio
and Sale Law guarantees

Housing loans

~60%

of loans
with
original LTV lower than 60%

75%

maximum LTV*

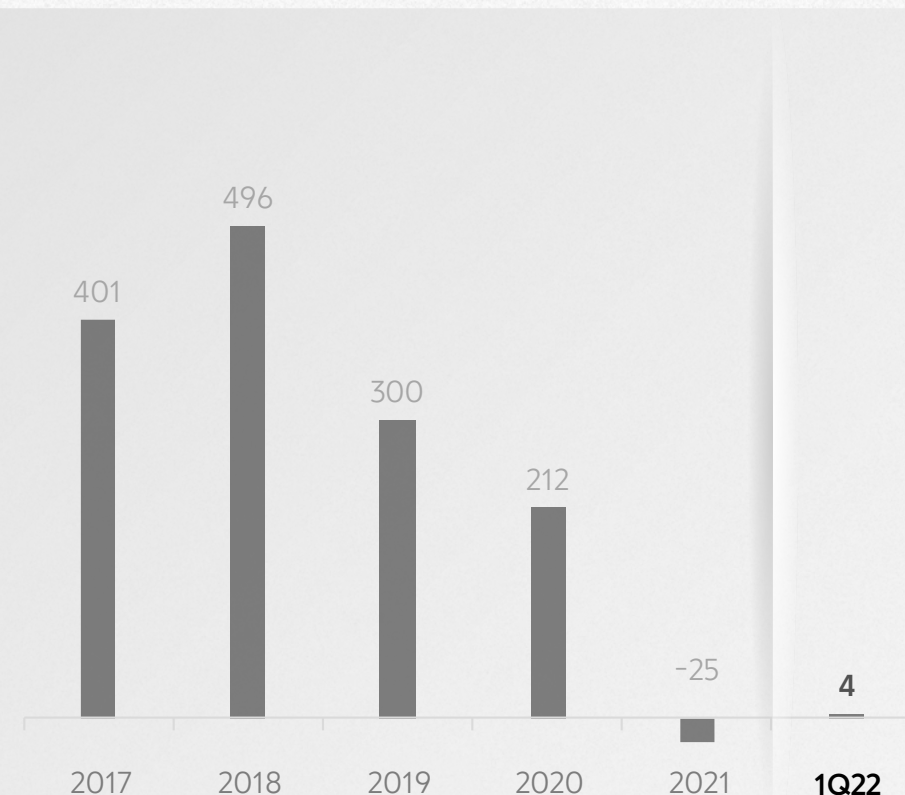
Up to 40%

maximum payment
to income**

only 0.49%

of loans are in arrears
of 90 days or more

Consumer loan charge offs NIS million

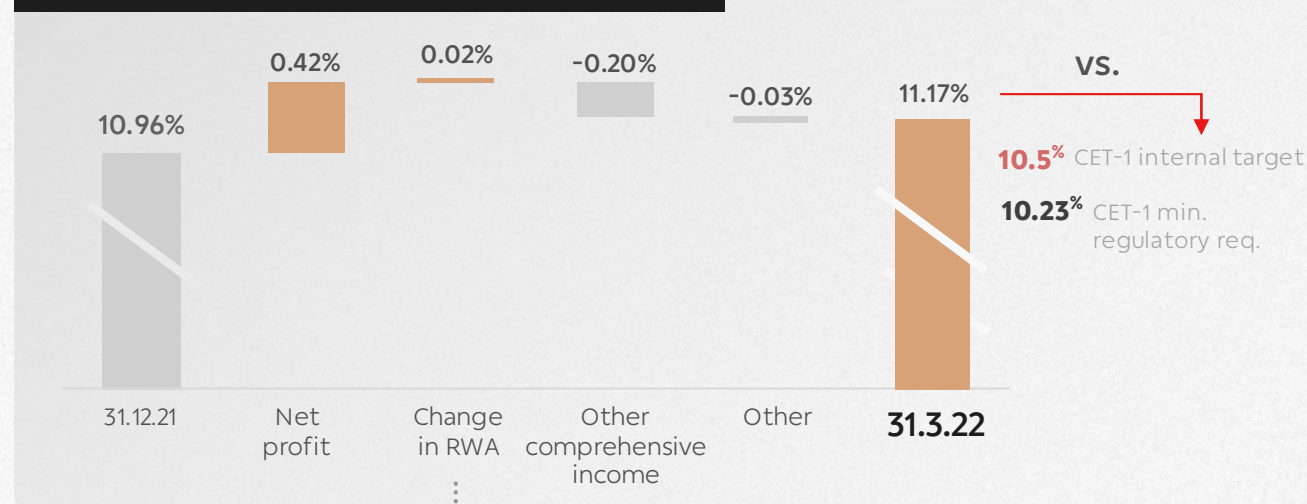


* Excluding loans of which more than 50% are from state funds under an eligibility program

** Excluding negligible cases (0.1% of new loans as of 1Q22)

Resilient capital position despite unfavorable market impact; supports possible dividend resumption in respect of 2Q22 and onward

CET-1 capital ratio development



RWA reduction despite credit growth in the quarter

- Optimization measures
- Reduction in off-balance sheet financial instruments
- Purchase of insurance policy for Sale Law guarantees issued in real-estate projects as well as for loans secured by a lien on land
- Syndications and loan sale

Dividend**

- The Board continues to prioritize the long term growth strategy and therefore resolved to refrain from dividend distribution this quarter, despite robust capital position
- This cautious approach is supported by the market volatility and rising uncertainty in the economic environment
- The Bank estimates that current solid capital position and balanced growth supports a possible dividend resumption in respect of 2Q22 and onward

CET-1 ratio

11.17%

+ 21 bps in 1Q22

Total capital ratio

14.44%

vs. min. regulatory req. of 13.5%

Leverage ratio

6.12%

vs. current min. regulatory req. of 5.5% (under relief*)

* Relief valid until December 31, 2023. The minimum regulatory requirement pre-relief is 6%.

** Subject to, among other matters, the results of the Bank, market trends and developments, macroeconomic conditions, and the effect of the implementation of future regulatory directives, as well as compliance with legal tests

Note: For additional information regarding capital requirements, refer to note 9 in the 1Q22 financial report.

Corporate strategy focused on three pillars

Committed to growth through innovative and fair banking for our customers



1

Growth in core banking

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

2

Create a new way to bank

- 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

3

Build a growth-supporting organizational infrastructure

- 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

1Q22 key takeaways

1

Net profit of **NIS 1.65 billion**; ROE of **15.6%**

2

Credit growth of 3.3%, **in line with recent macroeconomic developments**

3

Continued positive trend in core banking revenues

4

Maintained high asset quality; still very low levels of provisions

5

CET-1 ratio of 11.17%; supports possible **dividend resumption** in respect of 2Q22 and onward*

6

Significant upside potential from the new interest-rate environment

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Appendix

Key balance sheet items NIS million

	1Q21	4Q21	1Q22
Cash on hand and deposits with banks	159,943	189,283	178,317
Securities	64,798	71,105	68,604
Net credit to the public	306,117	352,623	364,257
Deposits from the public	455,394	525,072	519,776
Deposits from banks	6,942	11,601	11,370
Bonds and subordinated notes	21,415	25,582	27,411
Shareholders' equity	40,835	42,735	43,230
Total balance sheet	554,398	638,781	637,625

Note: For a full balance sheet analysis, please refer to the Bank's financial statements for 1Q22.



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