



# Quarterly Financial Review

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# Disclaimer

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

This presentation is not a substitute for the Bank's second-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](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 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.

# Bank Hapoalim reports another strong quarter

## Rigorous strategy implementation leading to another double-digit quarterly ROE

- 15.7% increase in total income (YoY)
- Cost-income ratio dropped to 48.8%

## Responsible credit growth aligned with current macroeconomic uncertainties

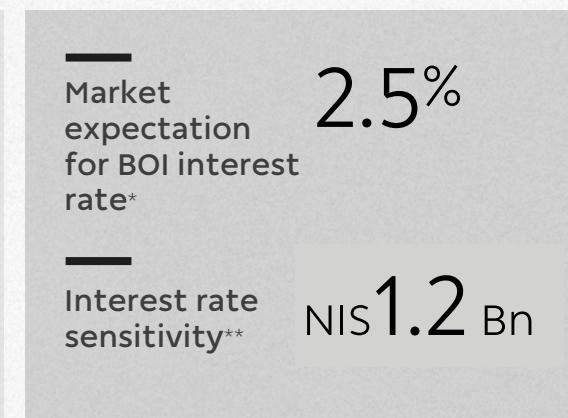
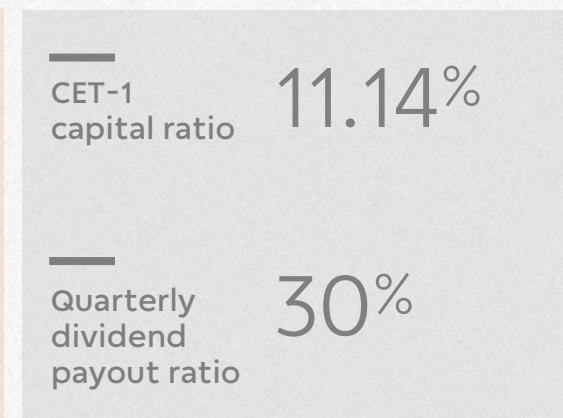
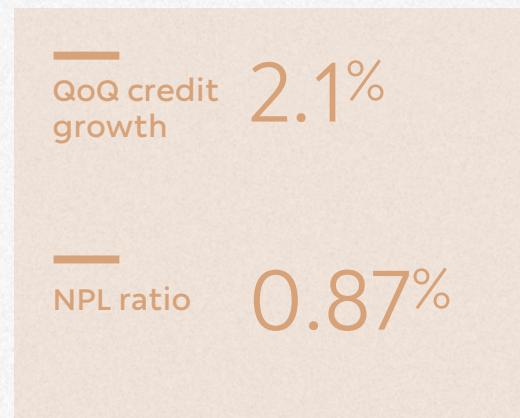
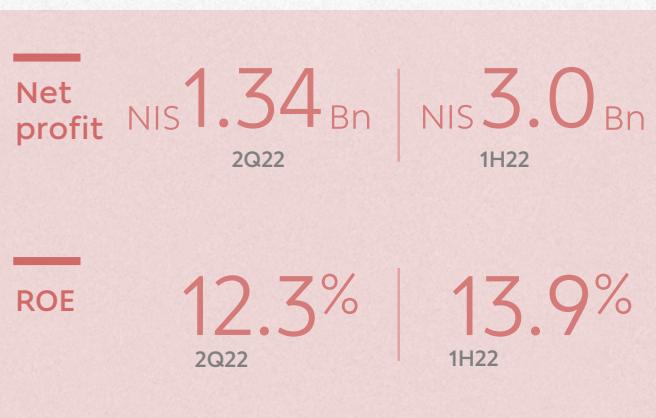
- Focus on risk and pricing
- Continually strong credit quality

## Solid capital position; dividend distribution resumption

- High organic capital generation
- Reduced market volatility impact on capital

## Favorably positioned to benefit from the new interest rate environment

- Largest retail deposit base in the sector
- 44% of deposits are non-interest bearing



\* Market implied for a 12-month horizon, as of August 12, 2022

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

# Early signs of lower growth on the backdrop of inflation and tighter monetary policy

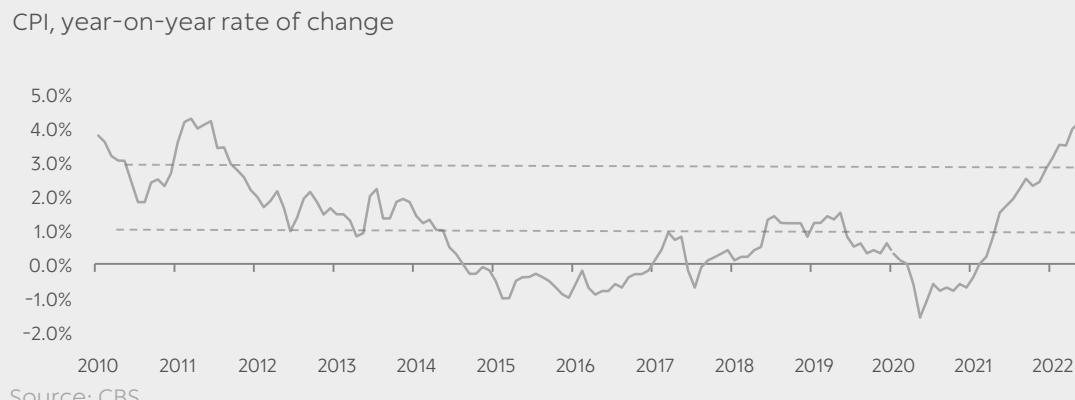
Consumer confidence has decreased and consumption flattened



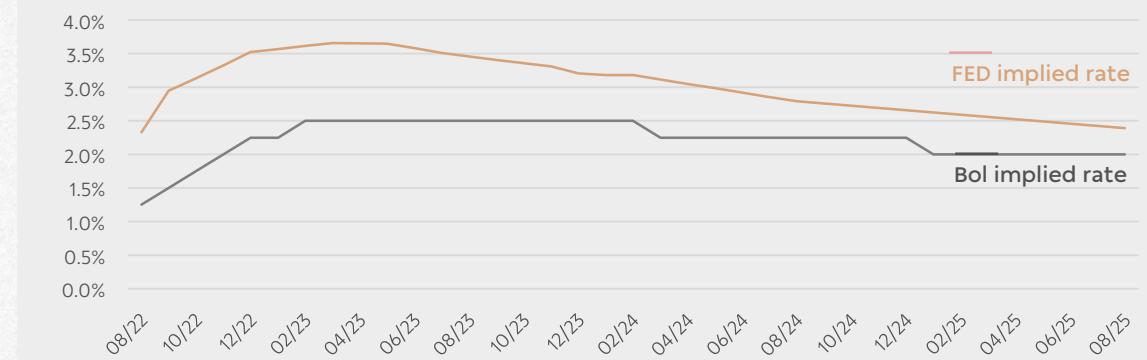
New home sales declined to pre-Covid level



Inflation is up, albeit lower than in most advanced economies

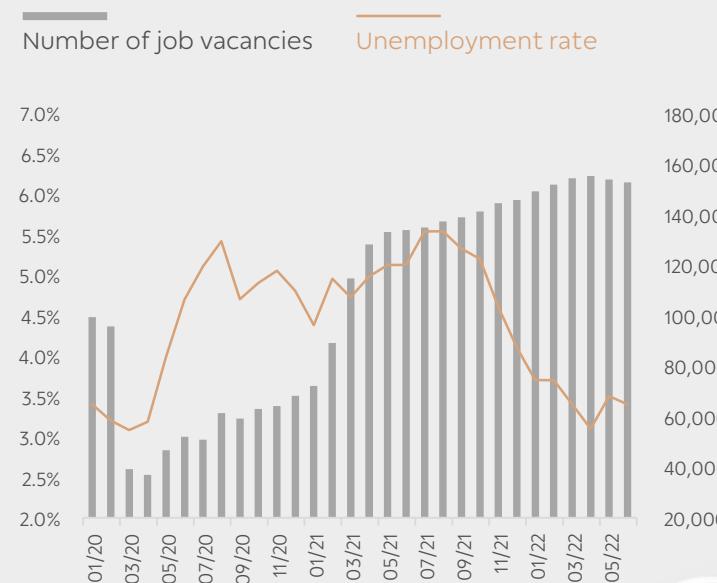


Markets expect rates to peak in the 12-month horizon

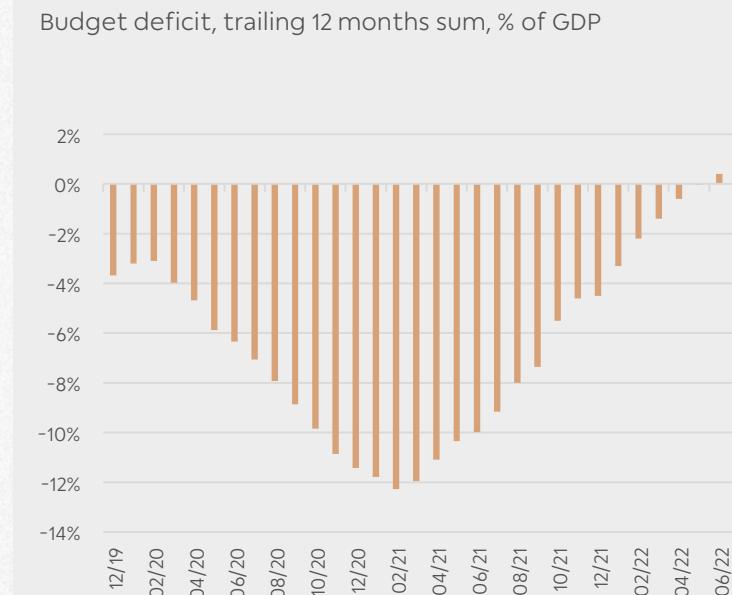


# Strong fundamentals provide a cushion to the economy and the bank

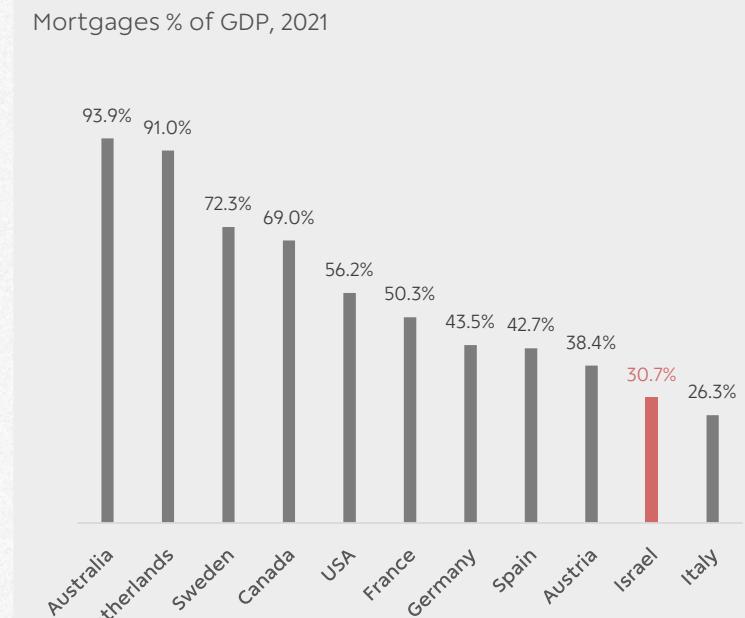
## Full employment with high demand for labor



## A reversal in the budget position



## Mortgage leverage relatively low



Source: CBS

Source: MOF

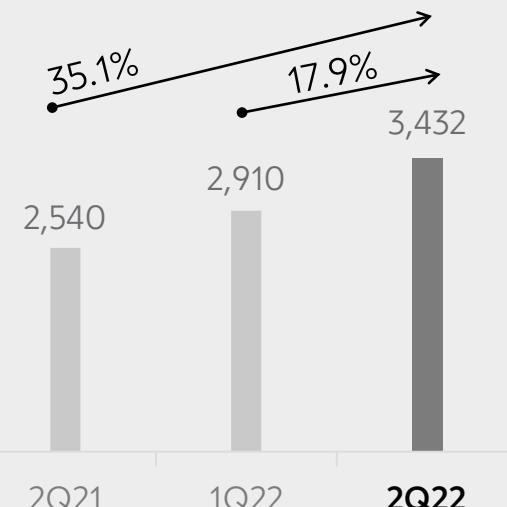
Source: BNHP economics department calculations

# Strong execution of our strategy led to continued profit momentum in 2Q22 NIS million

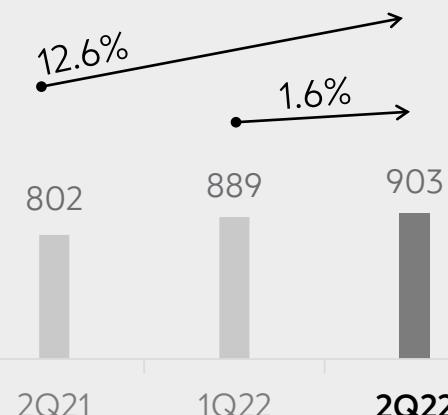
**12.3%**

**2Q22  
ROE**

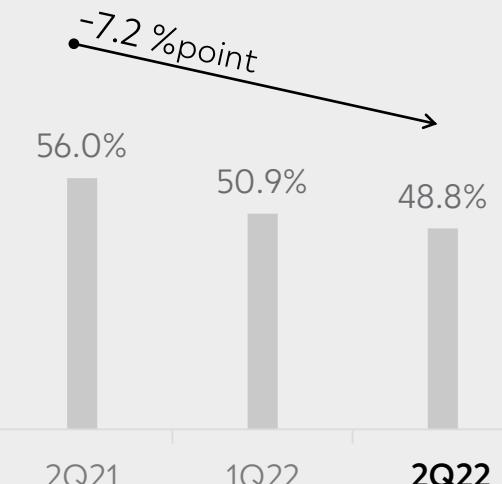
## Income from regular financing activity



## Fees



## Cost income ratio

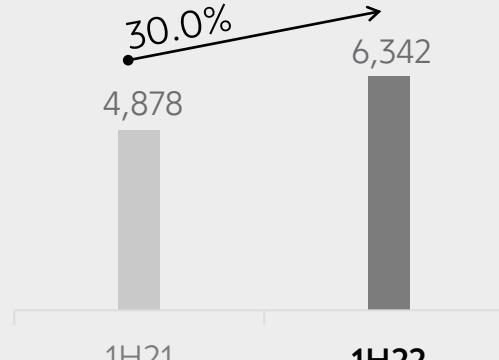


# Strong execution of our strategy led to continued profit momentum in 1H22 NIS million

**13.9%**

**1H22  
ROE**

**Income from regular financing activity**

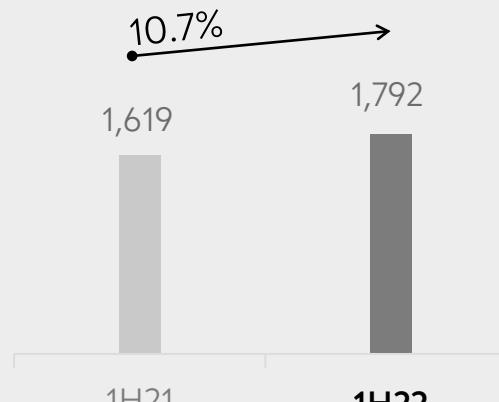


30.0%

4,878

6,342

**Fees**

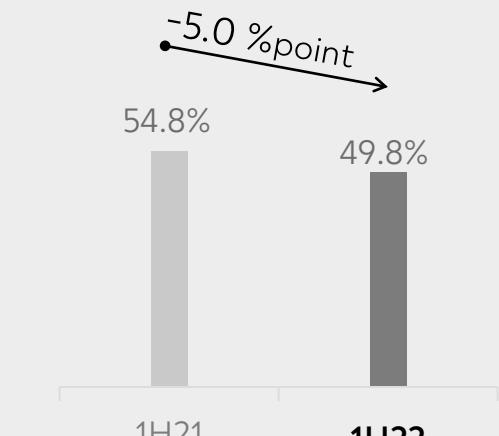


10.7%

1,619

1,792

**Cost income ratio**



-5.0 %point

54.8%

49.8%

# Responsible credit growth; in line with macroeconomic uncertainties

## Credit portfolio

372

NIS  
billion

14.9%

2.1%

324

335

353

364

372

2Q21

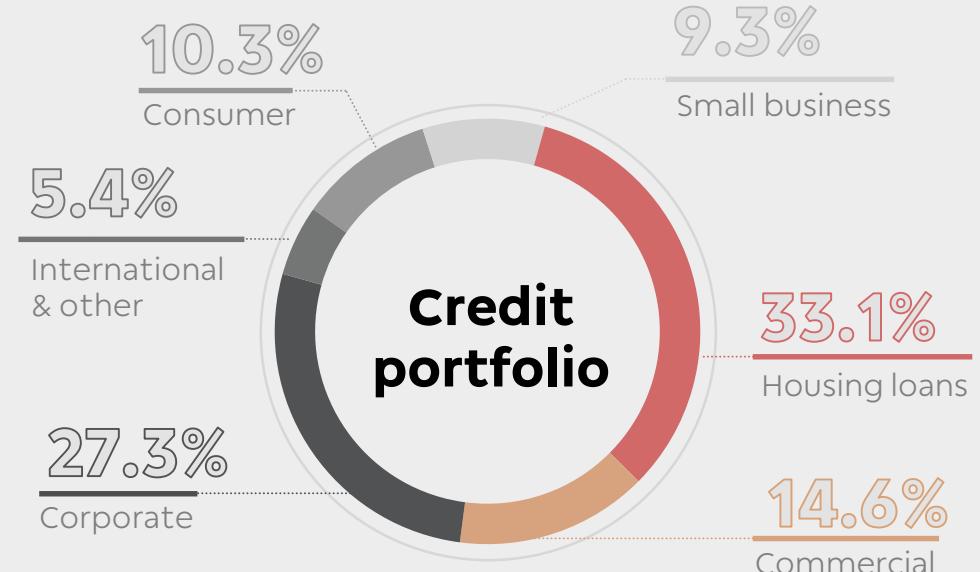
3Q21

4Q21

1Q22

2Q22

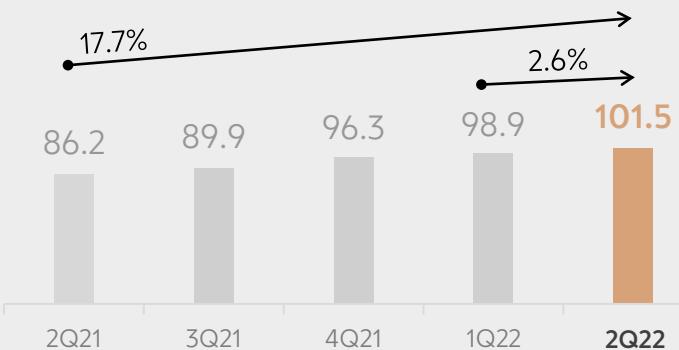
## Well-diversified credit portfolio



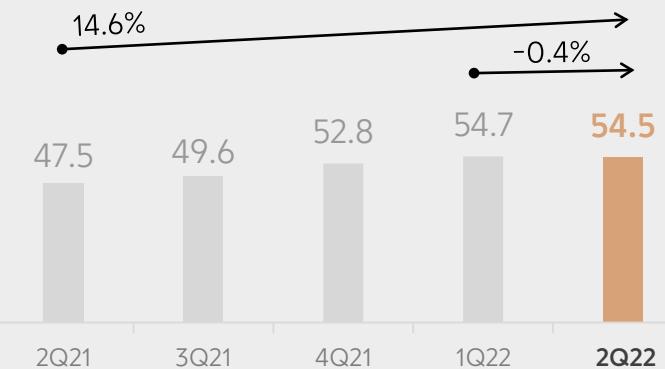
# Responsible credit growth; pace in-line with macro uncertainties

NIS billion

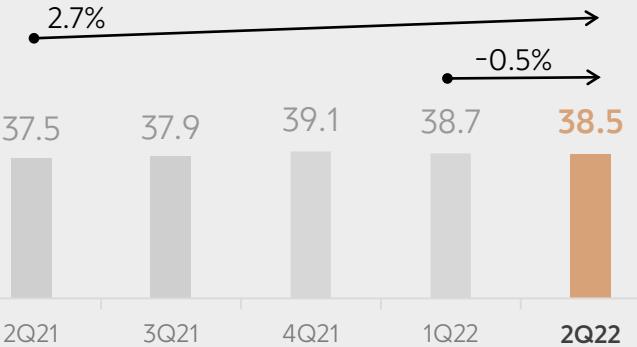
## Corporate



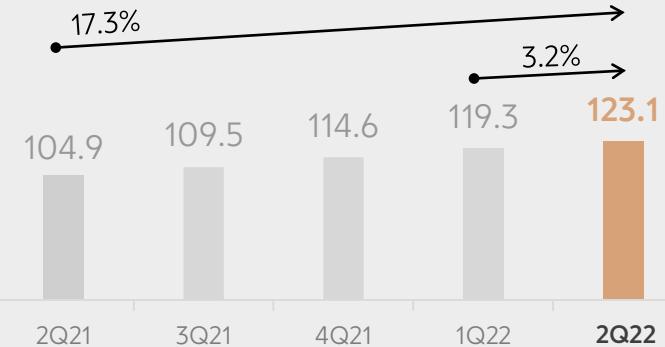
## Commercial



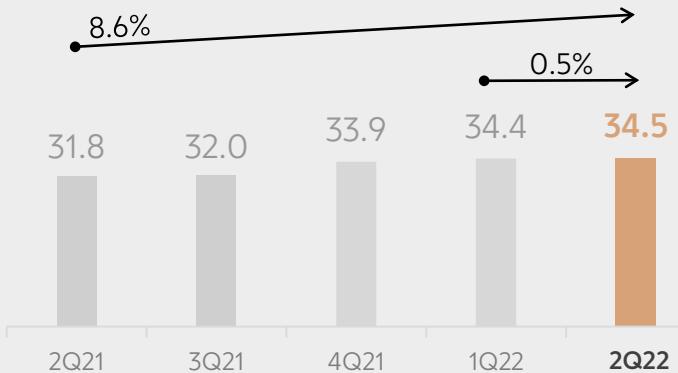
## Consumer



## Mortgages

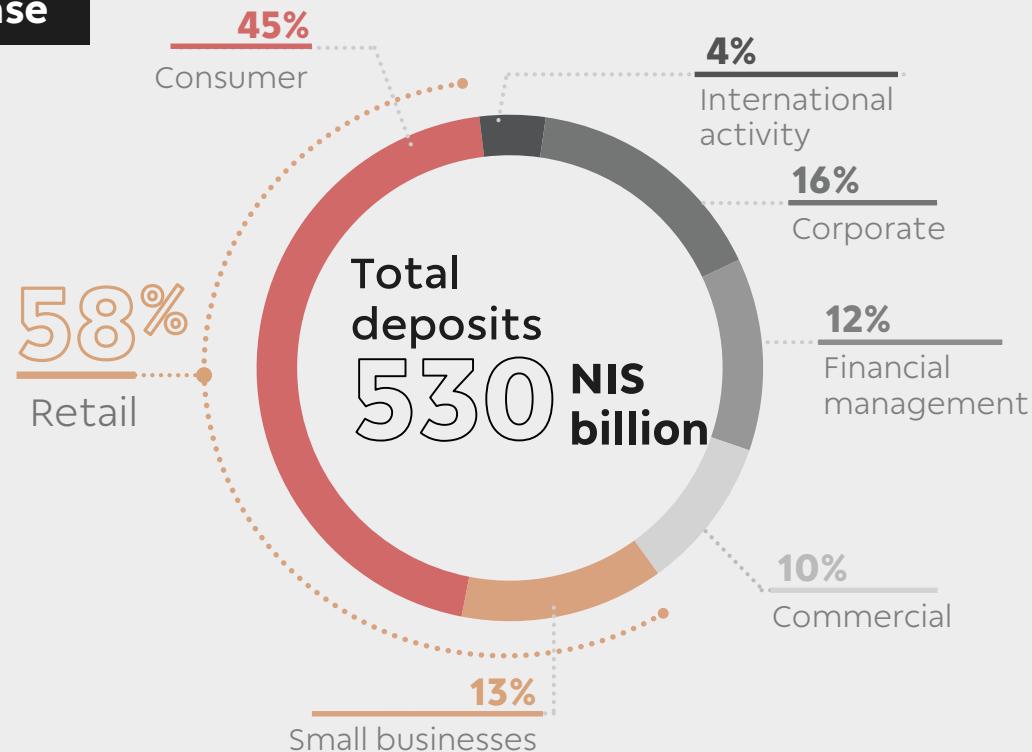


## Small business



# Strong retail deposit base; high sensitivity to rate hikes

## Deposit base



## Retail deposits

### Largest in the sector

307  
NIS billion

YoY 8.1%

QoQ 3.9%

44%

Non-interest-bearing  
deposits  
of total deposits

Above regulatory  
requirement of  
**100%**

**LCR**  
**126%**

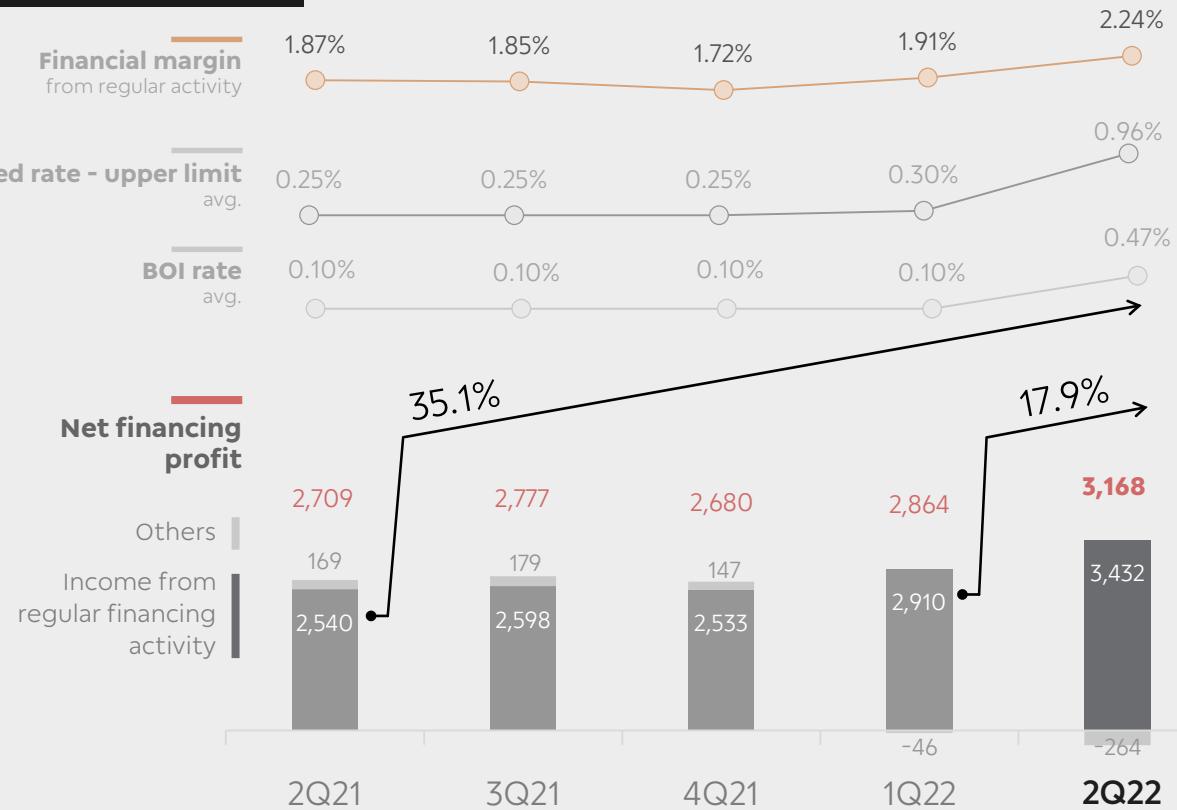
**NSFR**  
**132%**

**1.2**  
NIS billion

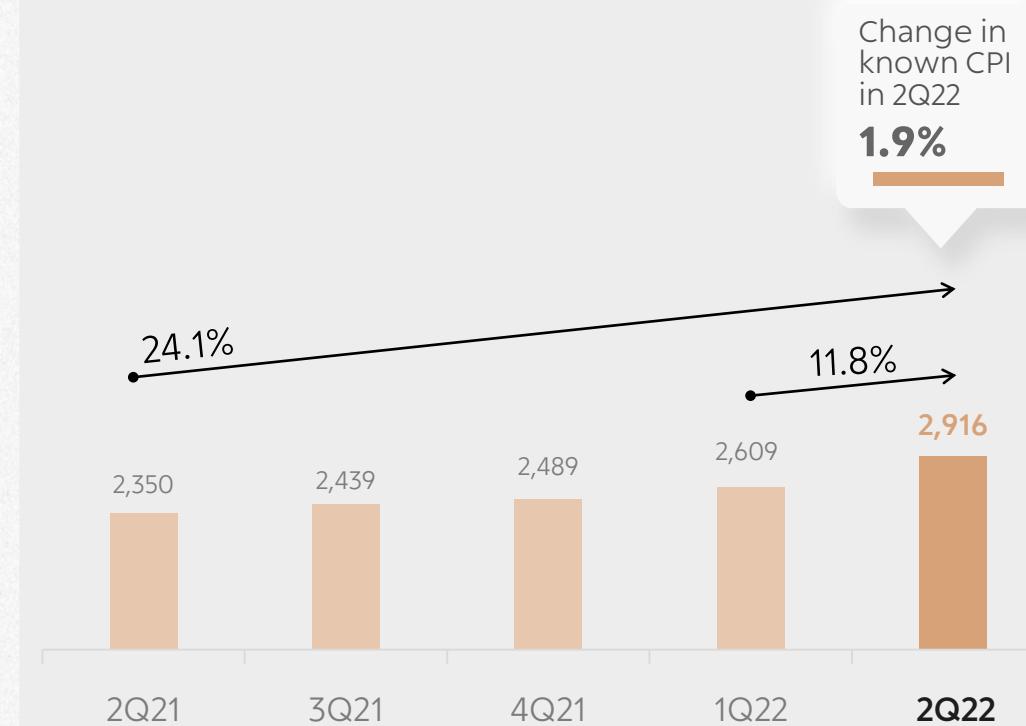
Effect of parallel increase  
of 1% in interest rates on  
financing income

# Accelerated revenue growth in core banking; significant earnings upside NIS million

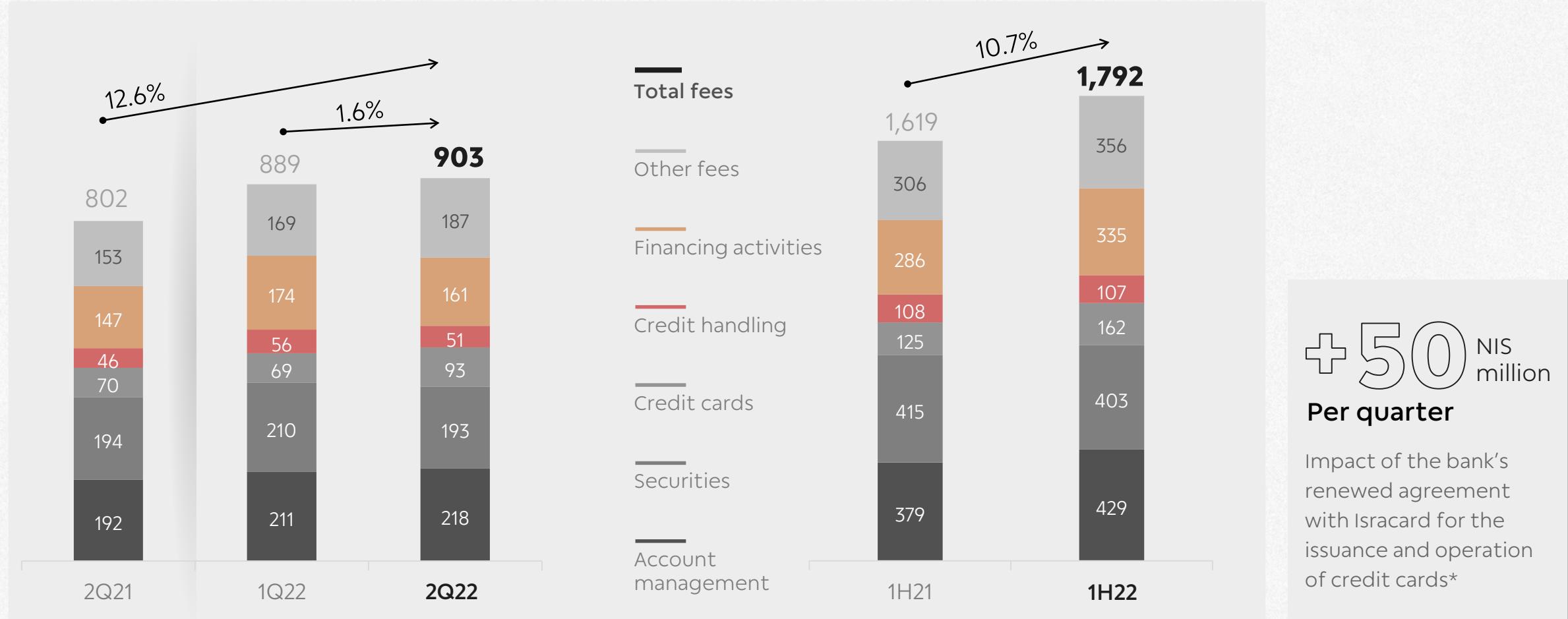
## Financing profit



## Income from regular financing activity excl. CPI



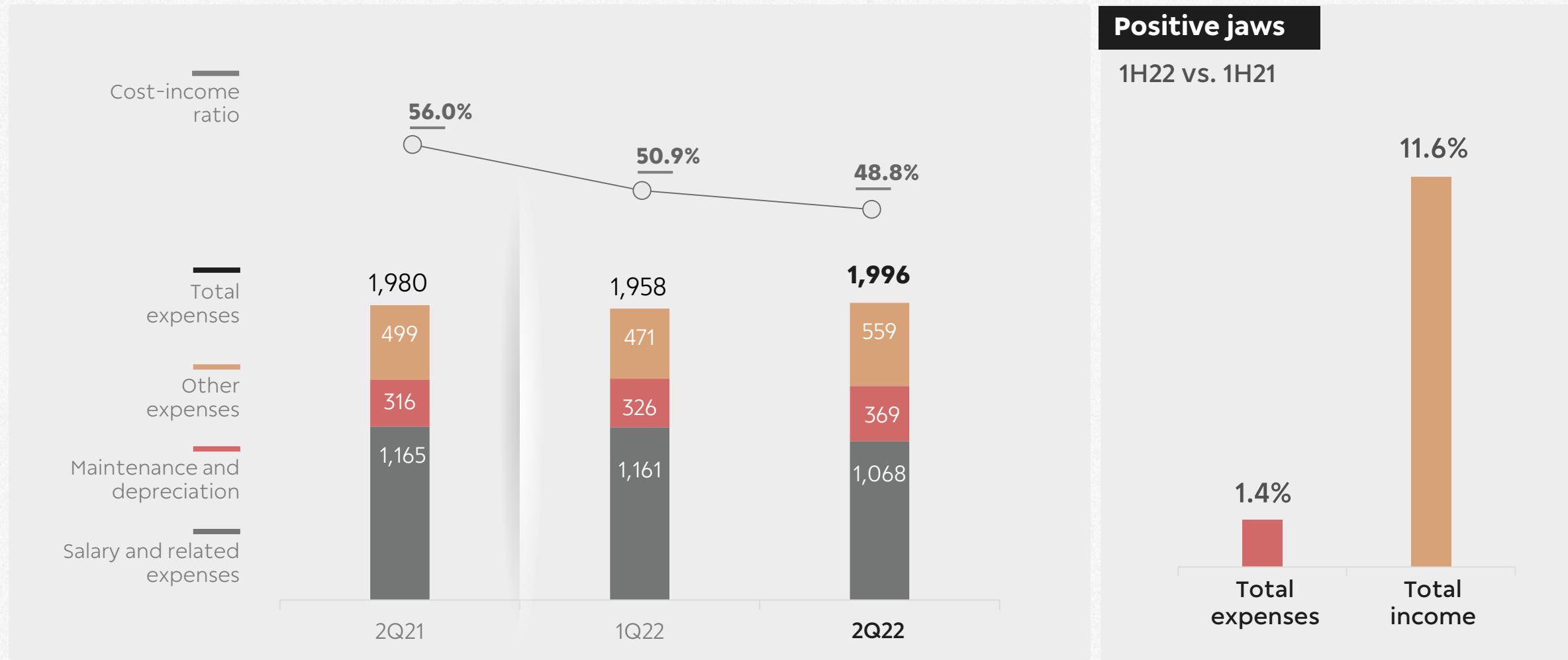
# Fees continue to grow; benefitting from the positive trend and Isracard agreement\* NIS million



\* On July 18, the bank reached in principle agreements with Isracard, for a period of 8 years starting April 1, 2022, for the issuance and operation of bank credit cards. The agreement (if and when signed) will increase the bank's revenues from credit cards by approximately NIS 50 million on average per quarter (before tax, based on the volume of activity in 2021).

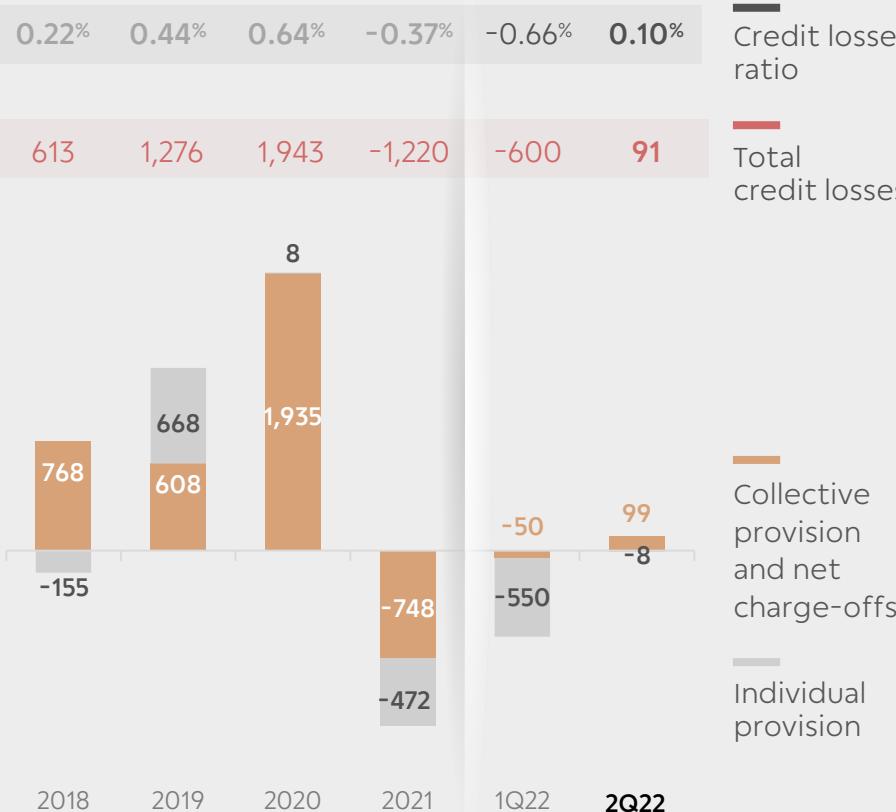
# Continuous cost discipline and efficiency improvement; substantial positive jaws

NIS million



# Credit quality remains strong with low NPLs; healthy provisions and sufficient allowance NIS million

## Provision for credit losses



## Allowance for credit losses & NPL



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

# Resilient capital position due to sound management, allows organic capital growth, targeted credit growth and dividend resumption

## CET-1 capital ratio development



## Dividend distribution

**30% dividend**  
in respect of 2Q22 profits

**403** NIS million

the board of directors resolved to resume a trajectory of ongoing dividend distribution, while continuing to maintain balanced growth.

**CET-1 ratio**  
**11.14%**  
**+18 bps**  
since Dec. 31, 2021

**Total capital ratio**  
**14.45%**  
vs. min. regulatory req. of 13.5%

**Leverage ratio**  
**6.17%**  
vs. current min. regulatory req. of 5.5% (under relief\*)

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

Note: For additional information regarding capital requirements, refer to note 9 in the 2Q22 financial report.

# Corporate strategy focused on three pillars

Committed to growth through innovative and fair banking for our customers

## 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

## 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

## 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

# 2Q22 key takeaways

1

**Double-digit ROE** in the quarter and first half; **high positive jaws**

2

**Robust income growth**, driven by the continuous growth in activity, boosted by rates increase and higher CPI

3

**Responsible credit growth**, in line with recent macroeconomic developments

4

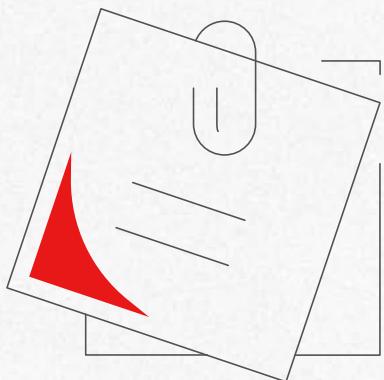
**High organic capital generation**;  
Dividend distribution resumption

5

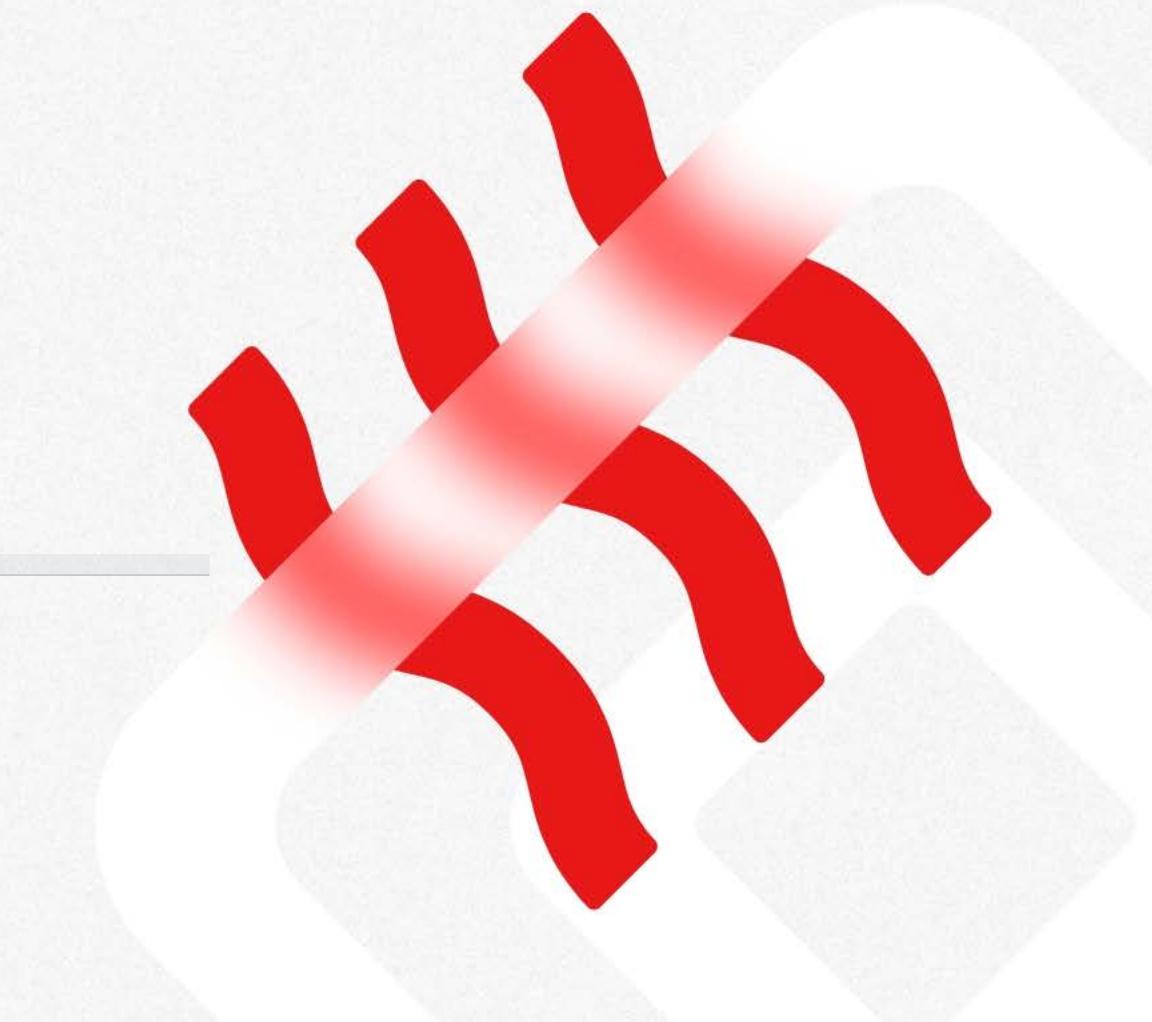
**High asset quality maintained**; still very low level of provisions

6

Balance sheet structure supports **significant upside**



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**Appendix**



## Key balance sheet items NIS million

	2Q21	1Q22	2Q22
Cash on hand and deposits with banks	170,439	178,317	<b>162,579</b>
Securities	69,910	68,604	<b>81,506</b>
Net credit to the public	323,757	364,257	<b>371,976</b>
Deposits from the public	483,090	519,776	<b>529,508</b>
Deposits from banks	10,110	11,370	<b>9,045</b>
Bonds and subordinated notes	20,944	27,411	<b>27,334</b>
Shareholders' equity	42,314	43,230	<b>44,217</b>
Total balance sheet	586,344	637,625	<b>651,598</b>

**Note:** For a full balance sheet analysis, please refer to the bank's financial statements for 2Q22.

## Key profit and loss items NIS million

	2Q21	1Q22	2Q22
<b>Total net financing profit</b>	2,709	2,864	<b>3,168</b>
Fees and other income	824	984	<b>920</b>
<b>Total income</b>	<b>3,533</b>	<b>3,848</b>	<b>4,088</b>
Wages	(1,165)	(1,161)	<b>(1,068)</b>
Maintenance and depreciation of buildings and equipment	(316)	(326)	<b>(369)</b>
Other expenses	(499)	(471)	<b>(559)</b>
<b>Total operating and other expenses</b>	<b>(1,980)</b>	<b>(1,958)</b>	<b>(1,996)</b>
<b>Profit before provision and taxes</b>	<b>1,553</b>	<b>1,890</b>	<b>2,092</b>
Provision for credit losses	647	600	<b>(91)</b>
<b>Profit before taxes</b>	<b>2,200</b>	<b>2,490</b>	<b>2,001</b>
Provision for taxes on profit	(803)	(862)	<b>(704)</b>
<b>Net profit</b>	<b>1,419</b>	<b>1,654</b>	<b>1,343</b>
<b>ROE</b>	<b>13.8%</b>	<b>15.6%</b>	<b>12.3%</b>

**Note:** For a full profit and loss analysis, please refer to the bank's financial statements for 2Q22.



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financial institution

