



◆ bank hapoalim

# Quarterly Financial Review

3Q22

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# Disclaimer

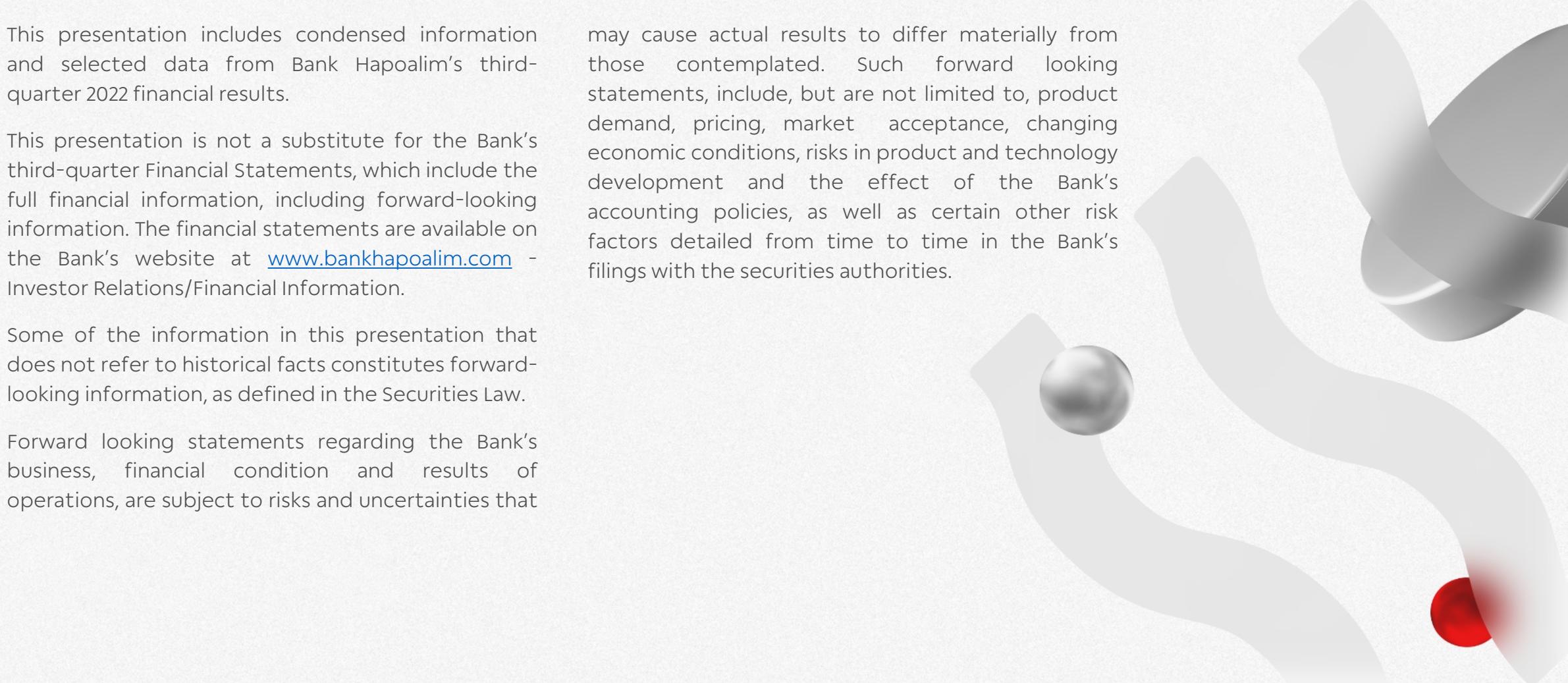
This presentation includes condensed information and selected data from Bank Hapoalim's third-quarter 2022 financial results.

This presentation is not a substitute for the Bank's third-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.

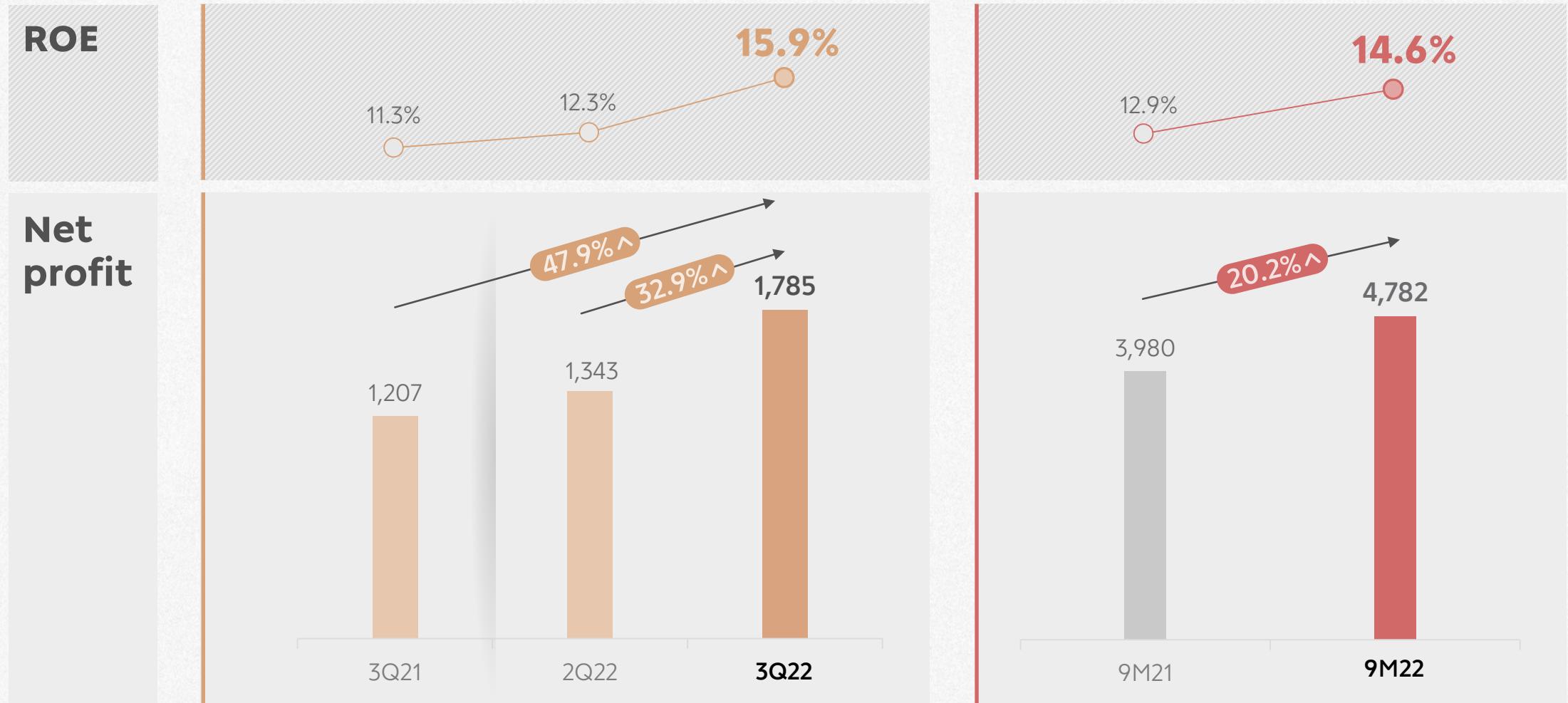
Forward looking statements regarding the Bank's business, financial condition and results of operations, are subject to risks and uncertainties that

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.



# Robust performance in the quarter

NIS million



# Executing our strategy to drive greater profitability and strength

## Strong financing income boost

Driven by the continuous credit growth, interest-rate hikes, and higher inflation

### Income from regular financing activity

**17.2%**<sub>QoQ</sub> **54.8%**<sub>YoY</sub>

## Strong trend in fee income

Driven by the growth in activity coupled with the impact from the Isracard agreement (NIS 95 million in respect of 2Q22 and 3Q22)

### Fees

**17.4%**<sub>YoY</sub> **13.0%**<sub>9M22 vs. 9M21</sub>

## Continuous cost discipline and efficiency improvement

Substantial positive jaws

### Cost-income ratio and change in expenses

**41.5%**<sub>3Q22</sub> **-1.4%**<sub>YoY</sub>

## Consistently strong credit quality

Prudent buffers remain in place – crucial for enduring adverse macro developments

### Credit losses and NPL ratios

**0.05%**<sub>3Q22</sub> **0.78%**<sub>3Q22</sub>

## Robust capital position

Generating capital organically allowing for continued growth and shareholder value

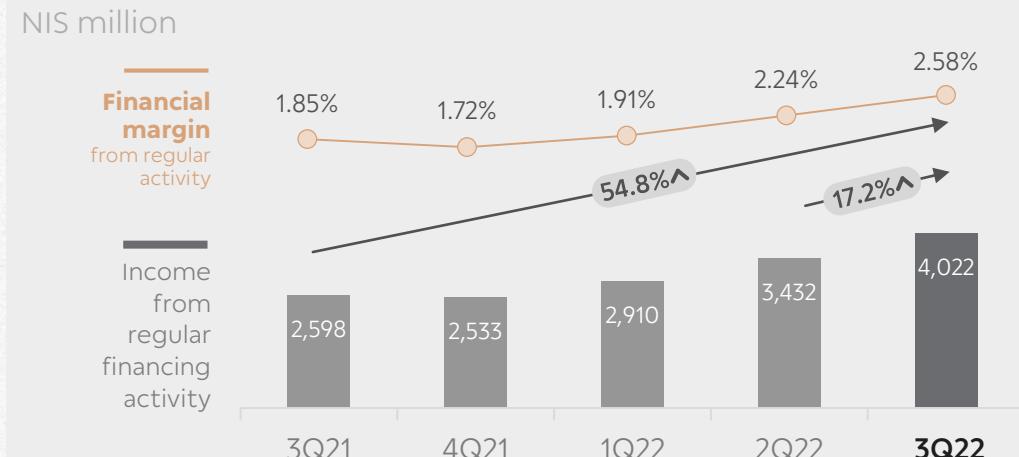
### CET-1 ratio and dividend ratio

**11.10%**<sub>3Q22</sub> **30%**<sub>of 3Q22 net income</sub>



# Interest income trend to remain favorable given expected rate rises

## Interest income levered on growth and improving spreads



## High sensitivity to interest rates

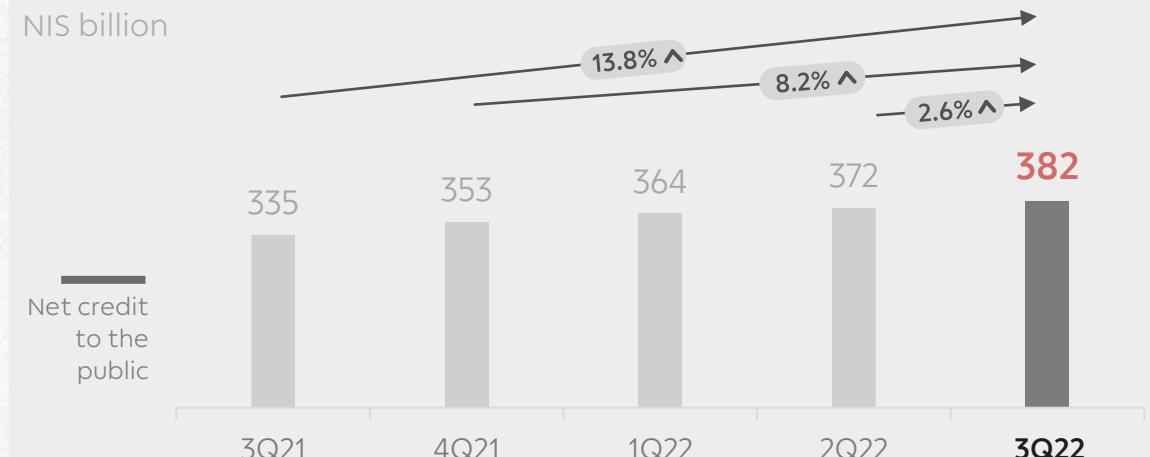
**0.8**  
NIS billion

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

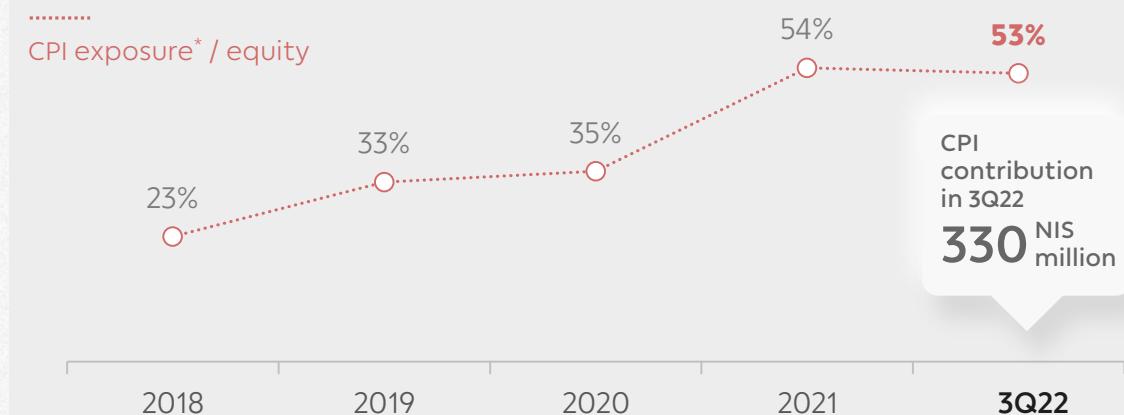
**41%**

Non-interest-bearing deposits of total deposits

## Continued responsible credit growth

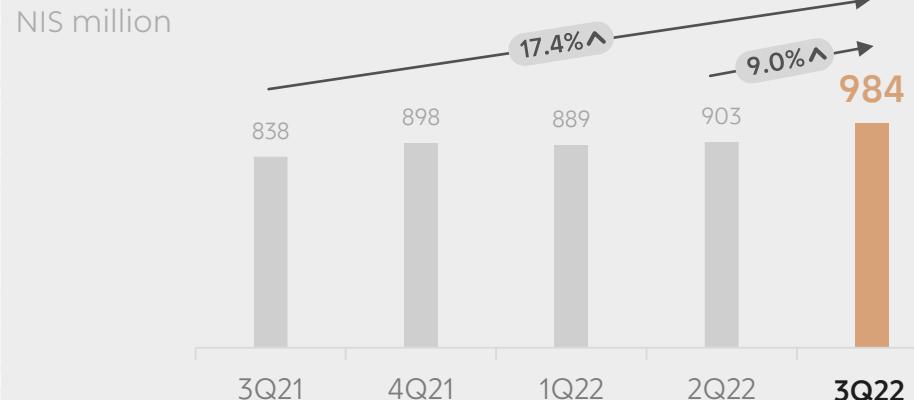


## CPI position increased significantly in recent years



# Our strategic focus on growing non-interest activities is paying off

## Continuous positive trend in fees

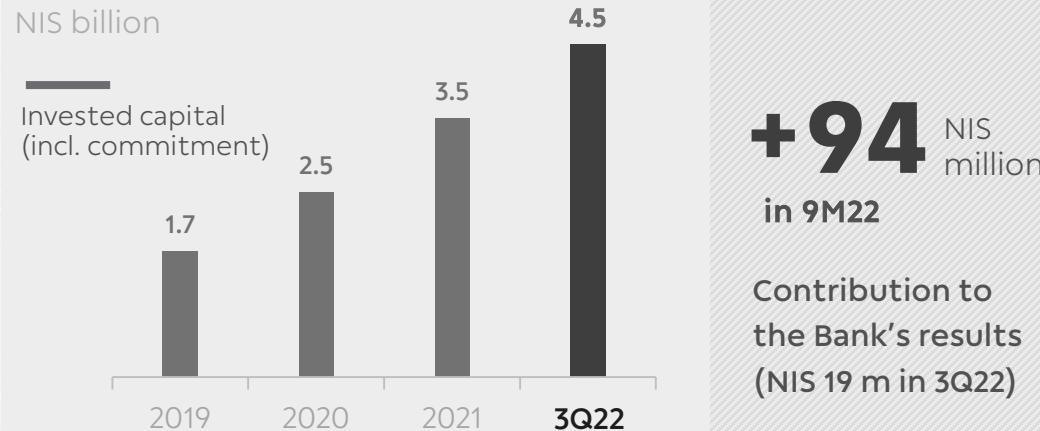


## Initial effects of Isracard agreement reflected in results

**+95** NIS million  
in 2Q+3Q  
(NIS 48 m in 3Q22)

Impact of the bank's new agreement with Isracard for the issuance and operation of credit cards

## Poalim Equity



## Real estate efficiency measures

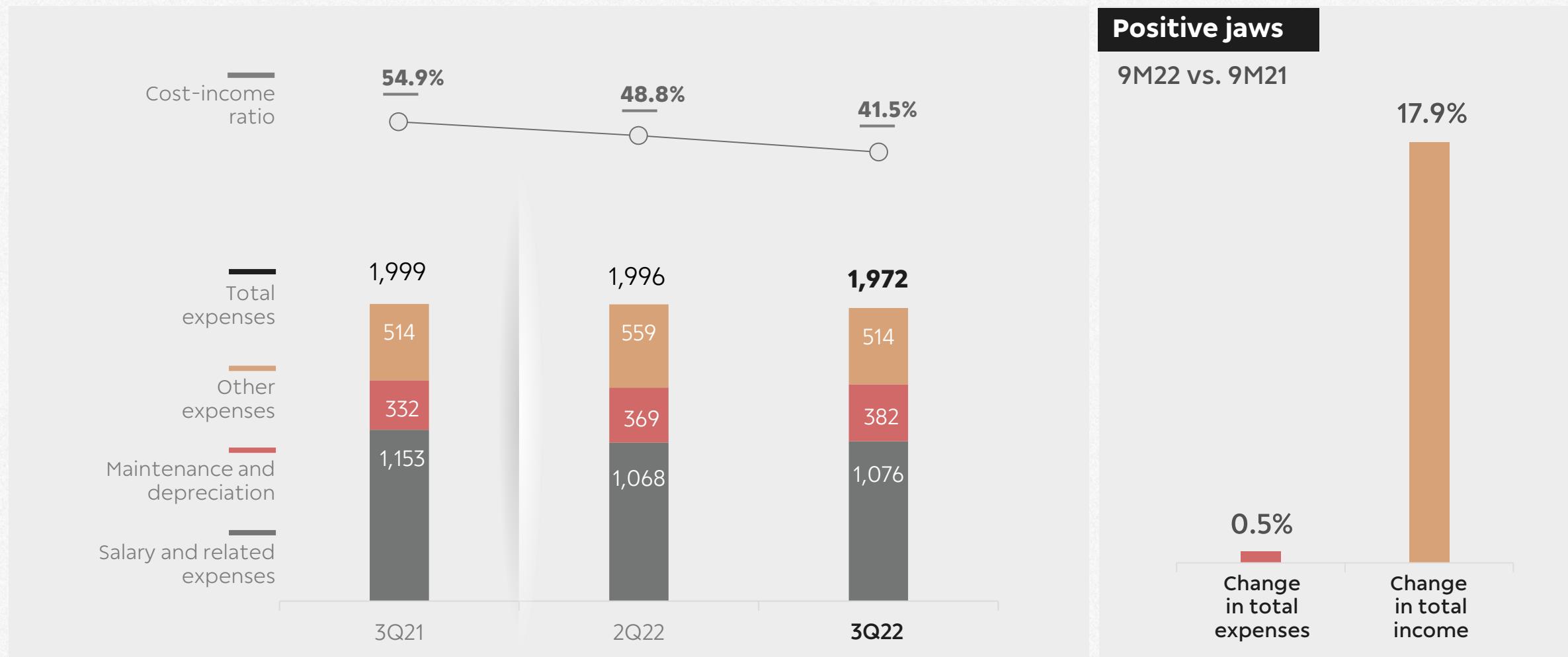


**More than 50k meters** in prime locations in Tel Aviv

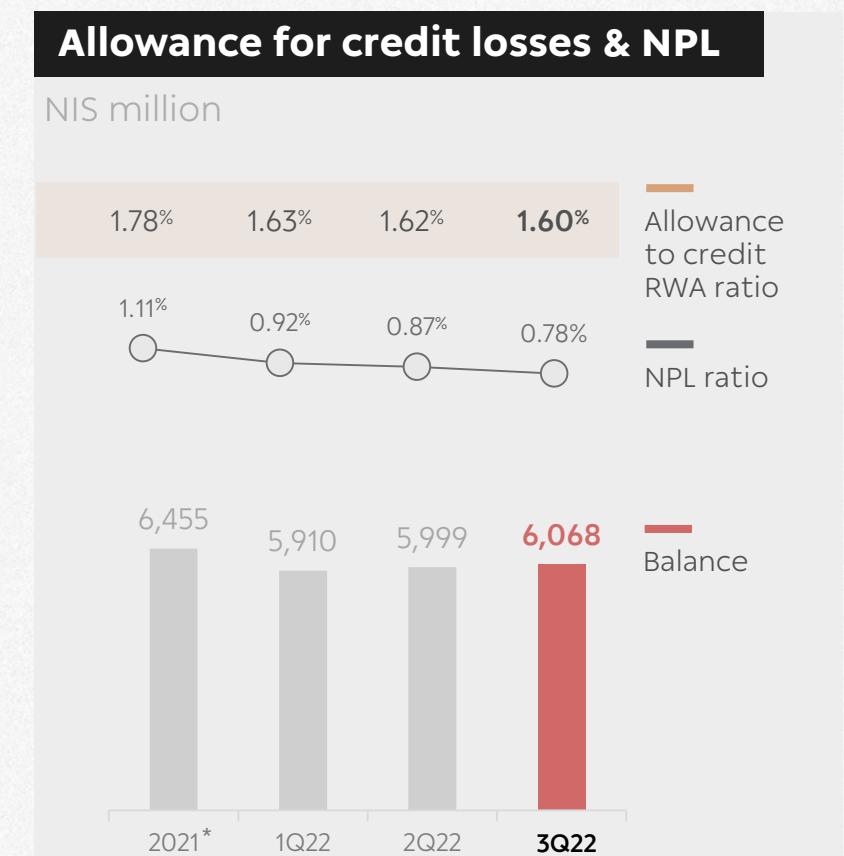
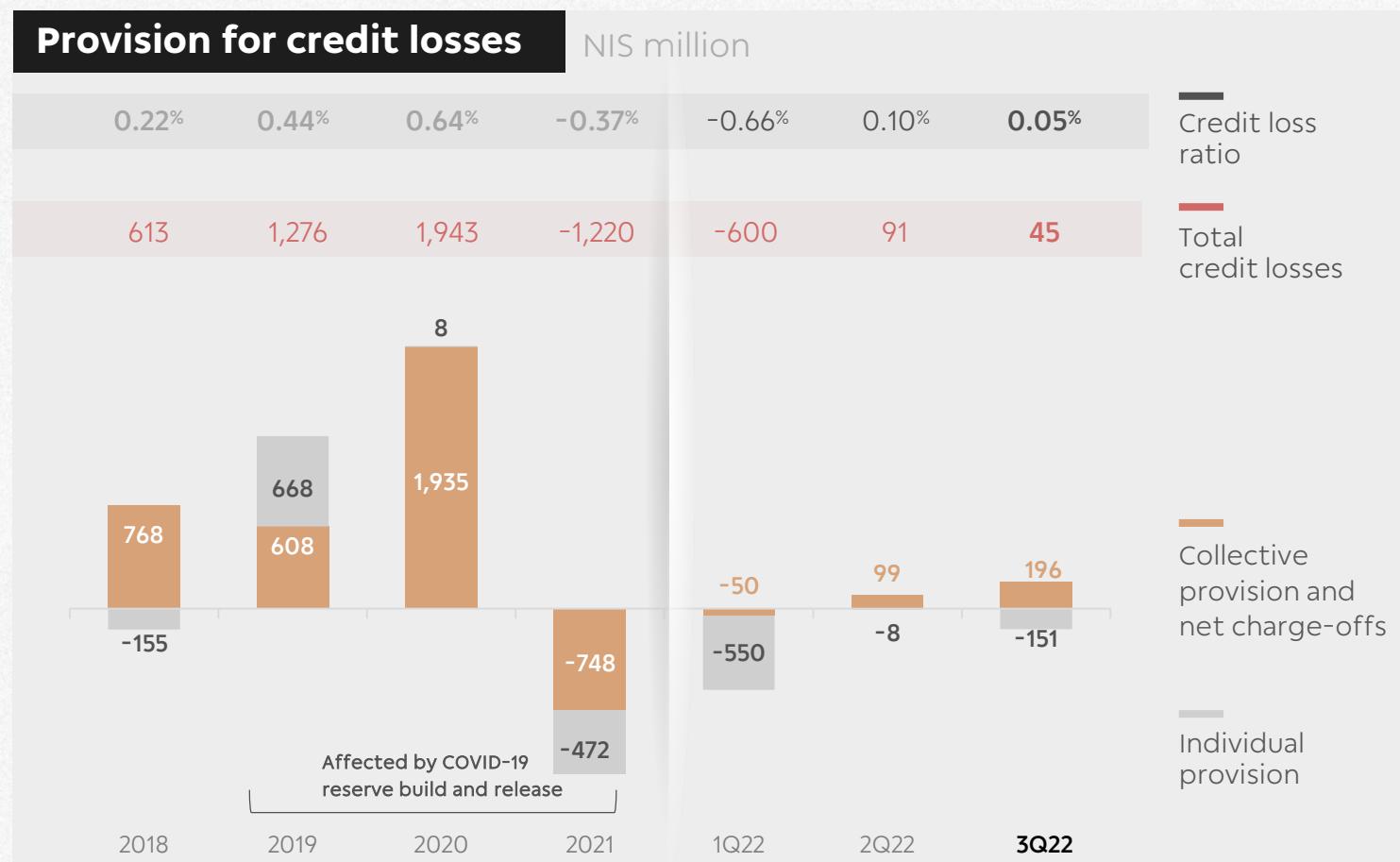
Potential for realization by 2025, thanks to Poalim Center project

# Continuous cost discipline and efficiency improvement; substantial positive jaws

NIS million

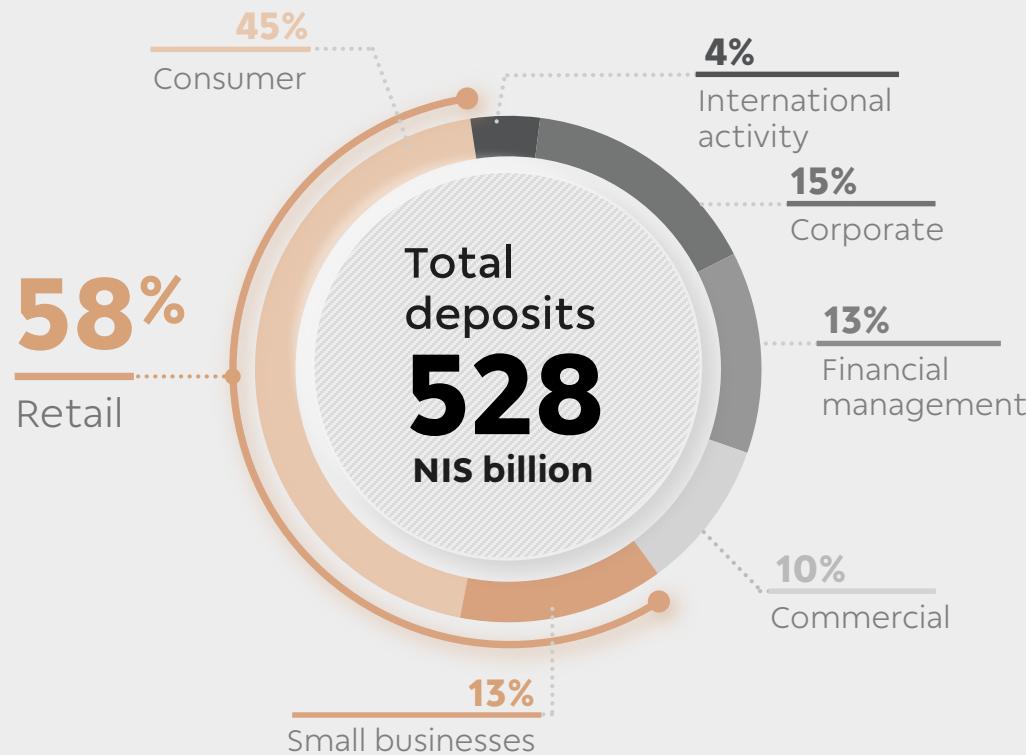


# Continually strong credit quality with low NPLs; Prudent buffers remain in place – crucial for enduring adverse macro developments



# Strong retail deposit base; superior liquidity ratios

## Deposit base



## Retail deposits

**304** NIS billion  
Largest in the sector

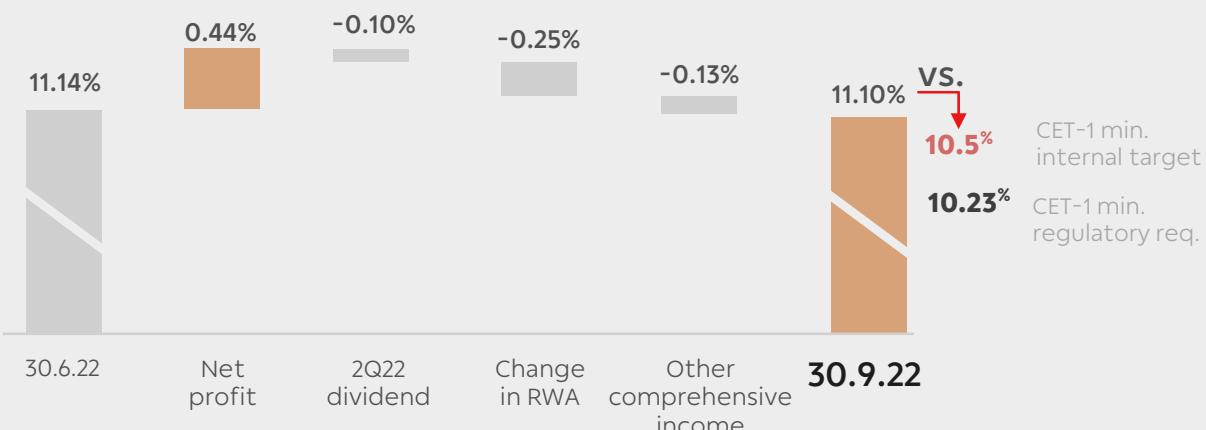
**+5.4%** YoY ^ **-1.0%** QoQ ▼

Above regulatory  
requirement of  
**100%**

**LCR**  
**126%** **NSFR**  
**127%**

# Resilient capital position as strong organic capital generation allows for targeted credit growth and dividend payment

## CET-1 capital ratio development



## Dividend distribution

**30% dividend**  
in respect of 3Q22 profits

**536** NIS million

### CET-1 ratio

**11.10%**  
+14 bps  
since Dec. 31, 2021

### Total capital ratio

**14.34%**  
vs. min. regulatory req. of 13.5%

### Leverage ratio

**6.18%**  
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 3Q22 financial report.

# Slower growth, soft landing in the housing market, further rate hikes

## Growth has decreased

GDP growth, quarter on quarter, saar



Source: CBS

## New home sales declined to pre-Covid level

New home sales



Source: CBS

## Inflation is up, albeit lower than in most advanced economies

CPI, year-on-year rate of change

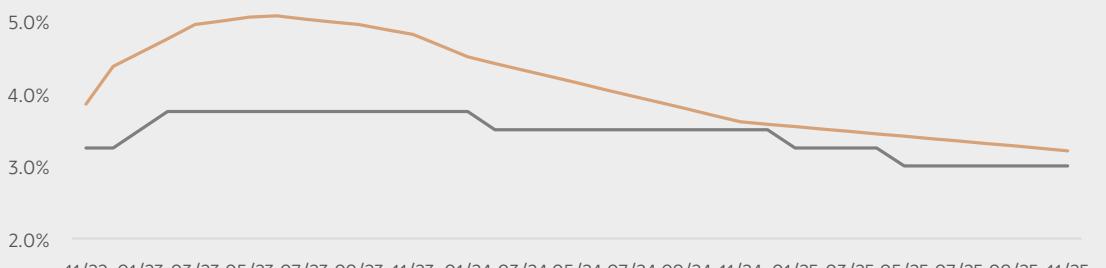


Source: CBS

## Markets expect rates to peak in 2023Q1

Bol implied rate

FED implied rate



Source: Economics department

# 3Q22 key takeaways

**1** **Very strong profitability** in the quarter and first 9 months

**2** **Significant impact from rates hike** due to balance sheet structure, **trend to remain favorable** given expected rate rises

**3** **Continued responsible credit growth**, in line with current macroeconomic environment

**4** Cost-income ratio at **historically low levels**; high positive jaws

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

**6** **High organic capital generation**; will continue to support growth and future dividends



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**Appendix**

## Key balance sheet items NIS million

	3Q21	2Q22	3Q22
Cash on hand and deposits with banks	175,765	162,579	<b>145,423</b>
Securities	70,383	81,506	<b>90,078</b>
Net credit to the public	335,297	371,976	<b>381,582</b>
Deposits from the public	505,483	529,508	<b>527,699</b>
Deposits from banks	10,448	9,045	<b>9,779</b>
Bonds and subordinated notes	18,761	27,334	<b>26,263</b>
Shareholders' equity	42,717	44,217	<b>45,068</b>
Total balance sheet	604,324	651,598	<b>658,336</b>

**Note:** For a full balance sheet analysis, please refer to the bank's financial statements for 3Q22.

## Key profit and loss items NIS million

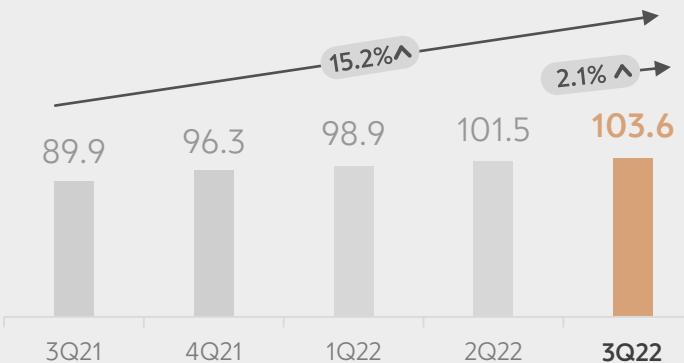
	3Q21	2Q22	3Q22
Total net financing profit	2,777	3,168	3,751
Fees and other income	867	920	1,002
<b>Total income</b>	<b>3,644</b>	<b>4,088</b>	<b>4,753</b>
Wages	(1,153)	(1,068)	(1,076)
Maintenance and depreciation of buildings and equipment	(332)	(369)	(382)
Other expenses	(514)	(559)	(514)
<b>Total operating and other expenses</b>	<b>(1,999)</b>	<b>(1,996)</b>	<b>(1,972)</b>
<b>Profit before provision and taxes</b>	<b>1,645</b>	<b>2,092</b>	<b>2,781</b>
Provision for credit losses	252	(91)	(45)
<b>Profit before taxes</b>	<b>1,897</b>	<b>2,001</b>	<b>2,736</b>
Provision for taxes on profit	(705)	(704)	(967)
<b>Net profit</b>	<b>1,207</b>	<b>1,343</b>	<b>1,785</b>
<b>ROE</b>	<b>11.3%</b>	<b>12.3%</b>	<b>15.9%</b>

Note: For a full profit and loss analysis, please refer to the bank's financial statements for 3Q22.

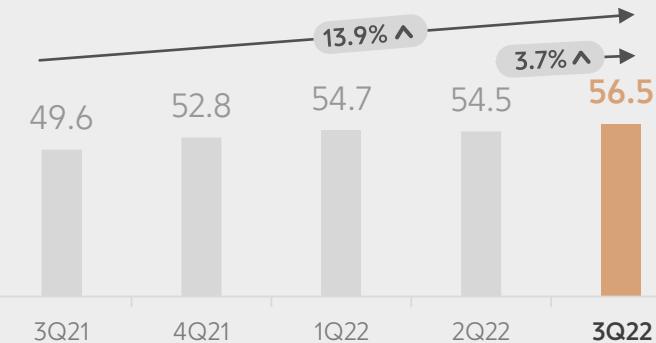
# Responsible credit growth; well-diversified portfolio

NIS billion

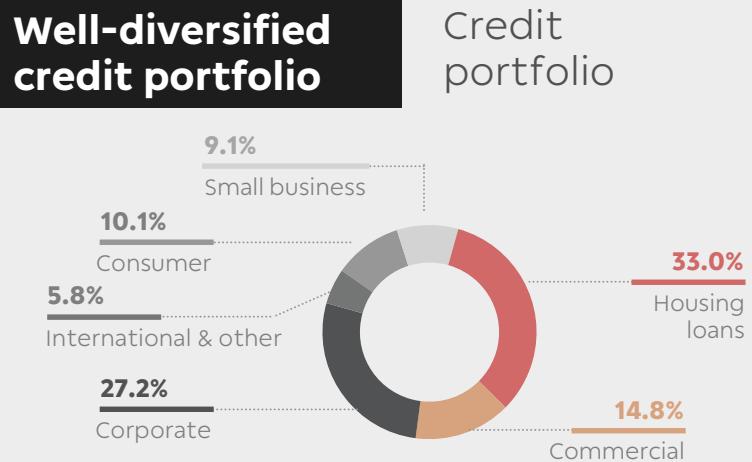
## Corporate



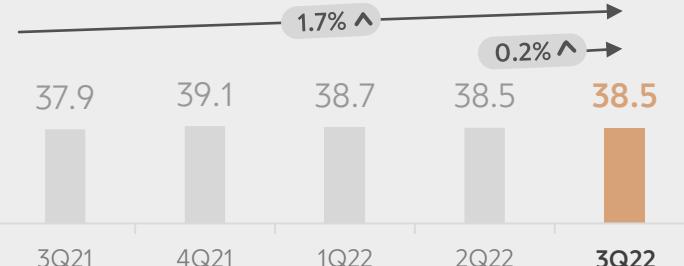
## Commercial



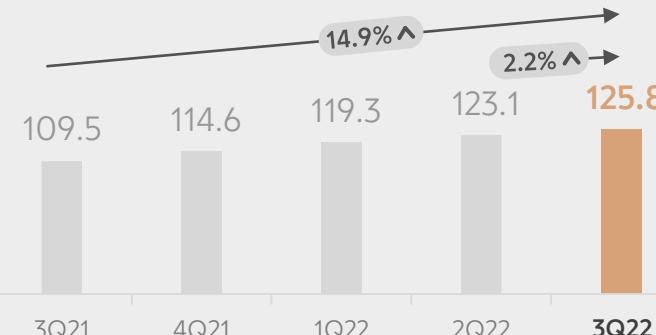
## Well-diversified credit portfolio



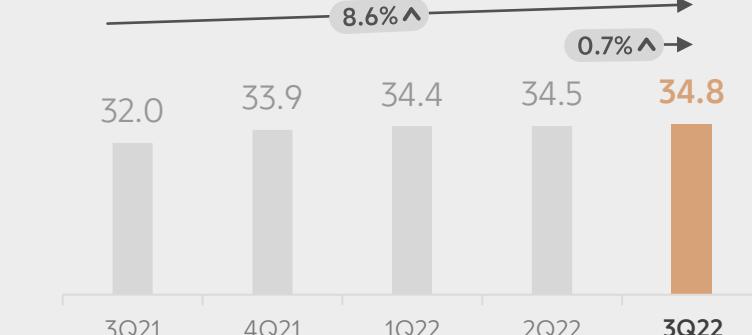
## Consumer

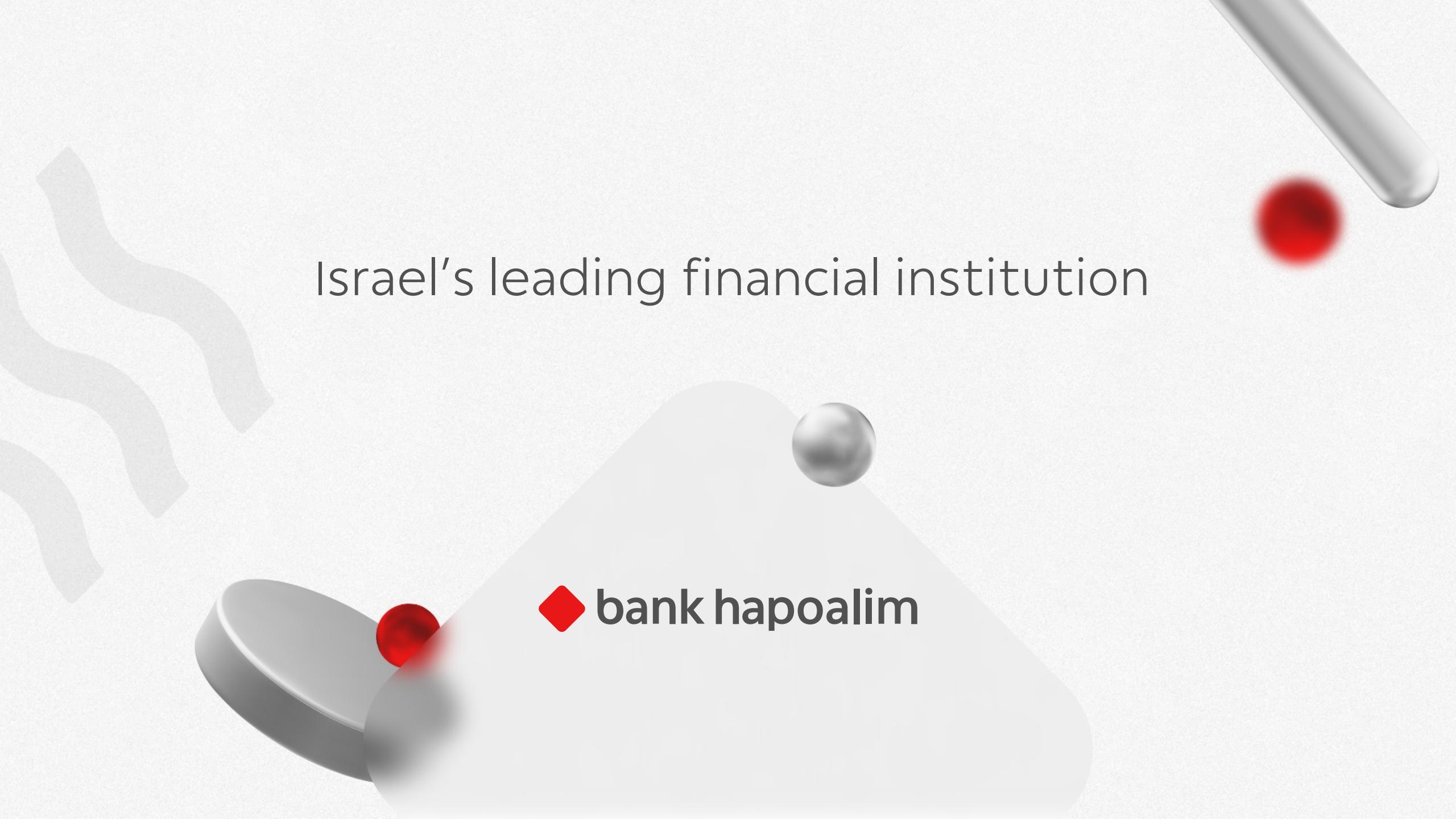


## Mortgages



## Small business





Israel's leading financial institution



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