

3Q21

Quarterly
Financial Review



bank hapoalim



Disclaimer

This presentation includes condensed information and selected data on Bank Hapoalim's 2021 third-quarter results.

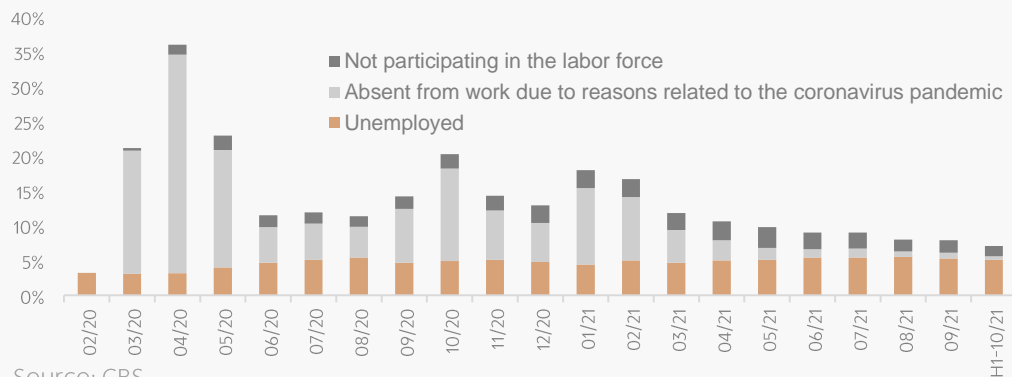
This presentation is not a substitute for the Bank's Third Quarter 2021 Financial Statements, which contain the full financial information, including forward-looking information. The Financial Statements are available on the Bank's website, at www.bankhapoalim.com > Investor Relations > Financial Information.

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 concerning 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, statements on the subjects of 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 in previous periods refer to provisions made in relation to the investigations of the US authorities, 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 investigations of the US authorities (including exchange rate differentials), and the effect of the closure of the Bank's private banking activities overseas.

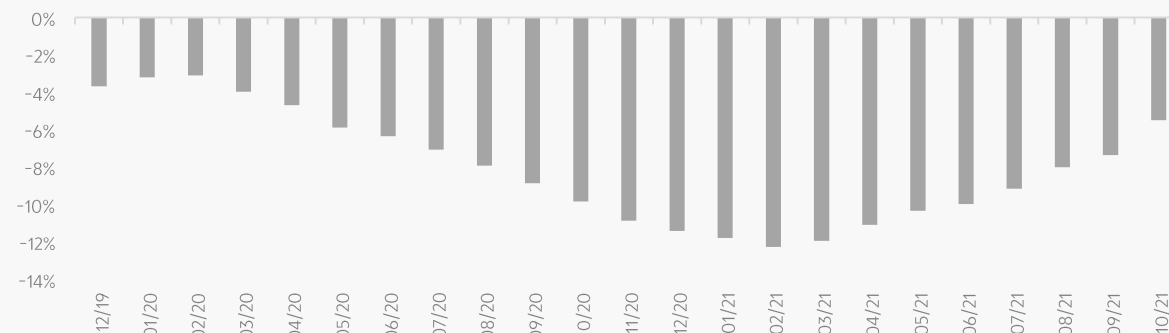
The rebound in growth continues; rate hikes are now implied in the markets

Unemployment declined, though levels are still high compared to the pre-Covid period



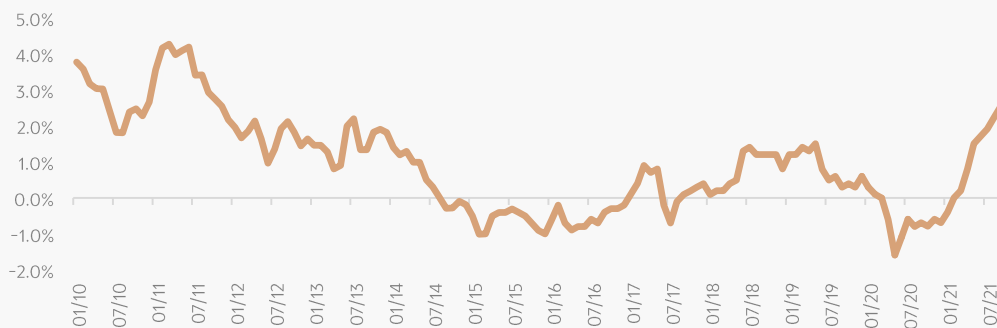
The budget deficit fell due to fast growth and the end of fiscal aid plans

Budget deficit, trailing 12 months sum, % of GDP



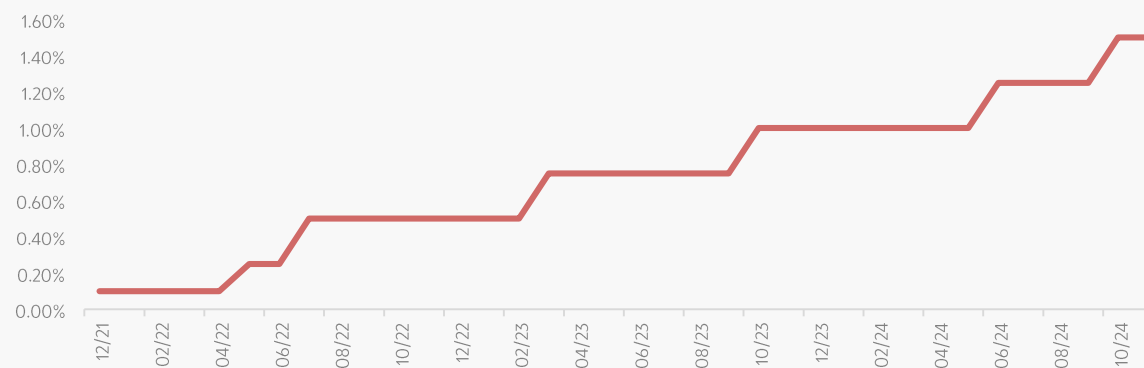
Inflation is rising, yet not a concern from the BOI's perspective

CPI, year-on-year rate of change



Markets expect rate hikes next year

Implied BOI rate



Key messages for the quarter

Strong reported net profit

- Total income growth of 10.4% YoY, supported by credit growth, fees and CPI
- Income from credit losses due to recovery of individual provision and lower than previous quarters' reversal of collective provision

ROE

11.8%
3Q2113.1%
9M21

Income momentum driven by continuous credit growth

- Corporate and commercial credit grew 15.1% and 17.2% YTD, respectively
- Mortgages increased 10.9% YTD, supported by the new highs in the market

Credit to the public growth

3.6%
QoQ14.5%
YoY

Improved credit environment; NPL ratio at pre-COVID level

- COVID-19 deferrals dropped to 0.7% of credit; still low loan loss provisions
- Reserve maintained high, more than double the NPL balances

LLP ratio and NPL ratio

-0.3%
3Q21 provisions ratio0.82%
September 30 NPL ratio

Capital surplus allowed dividend distribution

- Distribution of 30% of 3Q21 net profit coupled with a dividend in respect of 1H21 profits, followed by a distribution of 30% of 2020 net profit, made in August.
- "Green" Tier 2 issuance to support credit growth and improve capital structure

CET-1 ratio and growth

11.2%
September 30 CET-1 ratio9.2%
CET-1 capital growth YoY

Rigorous execution of our strategy

- Continued business momentum supported by healthy underwriting and transaction pipelines
- Poalim Equity – further increase in investment portfolio; contributed NIS 268 m to 9M21 net profit

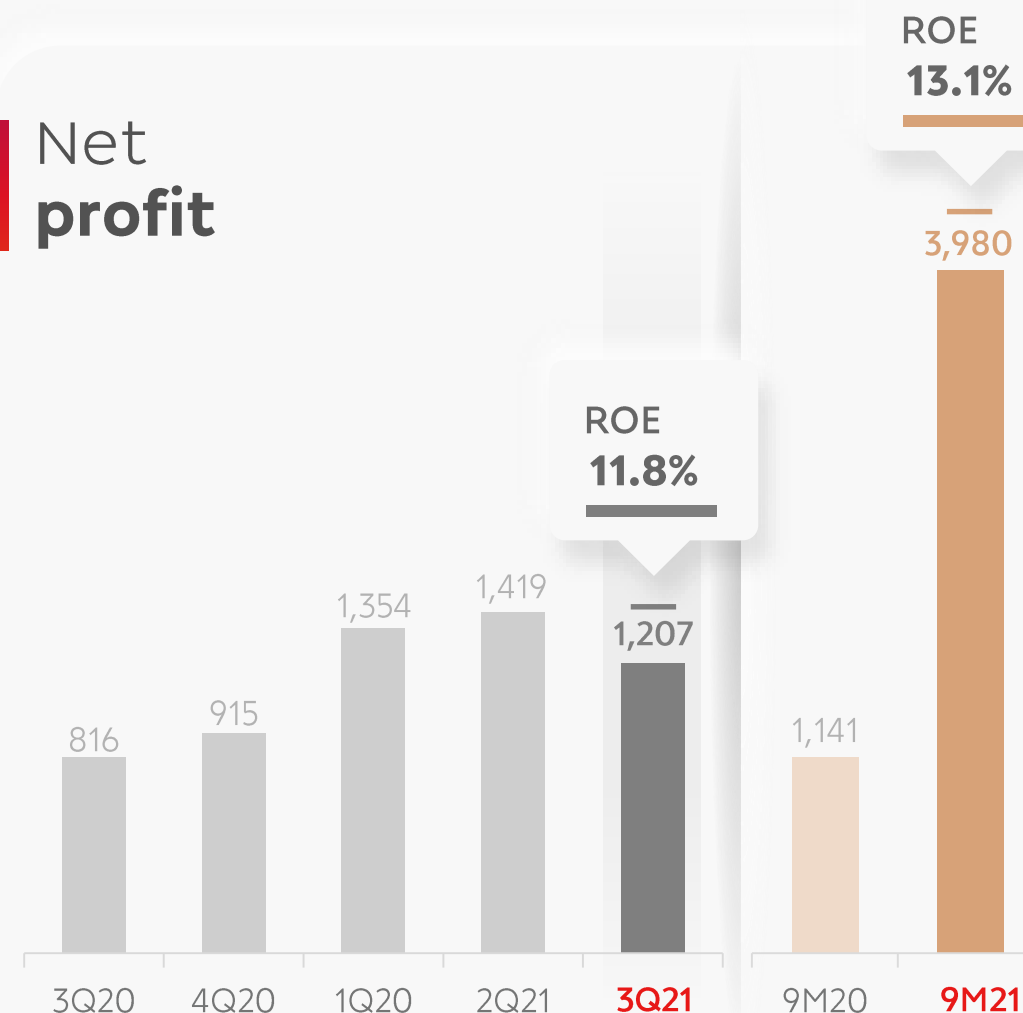
Strong profitability in 2021

NIS million

P&L highlights

	3Q20	2Q21	3Q21	9M20	9M21
Total net financing profit	2,536	2,709	2,777	7,393	8,168
Fees and other income	766	824	867	2,446	2,590
Total income	3,302	3,533	3,644	9,839	10,758
Operating and other expenses	1,851	1,980	1,999	5,593	5,898
Profit before provisions and taxes	1,451	1,553	1,645	4,246	4,860
Provision for credit losses	193	-647	-252	2,130	-1,407
Profit before taxes	1,258	2,200	1,897	2,116	6,267
Net profit*	816	1,419	1,207	1,141	3,980
ROE*	8.8%	14.5%	11.8%	4.0%	13.1%

Net profit



* Excluding special items, net profit for 9M20 totaled NIS 1,290 million (ROE of 4.5%).

Note: For a full profit and loss disclosure, please refer to the Bank's financial statements for 3Q21.

Strong credit growth momentum

Net, NIS billion

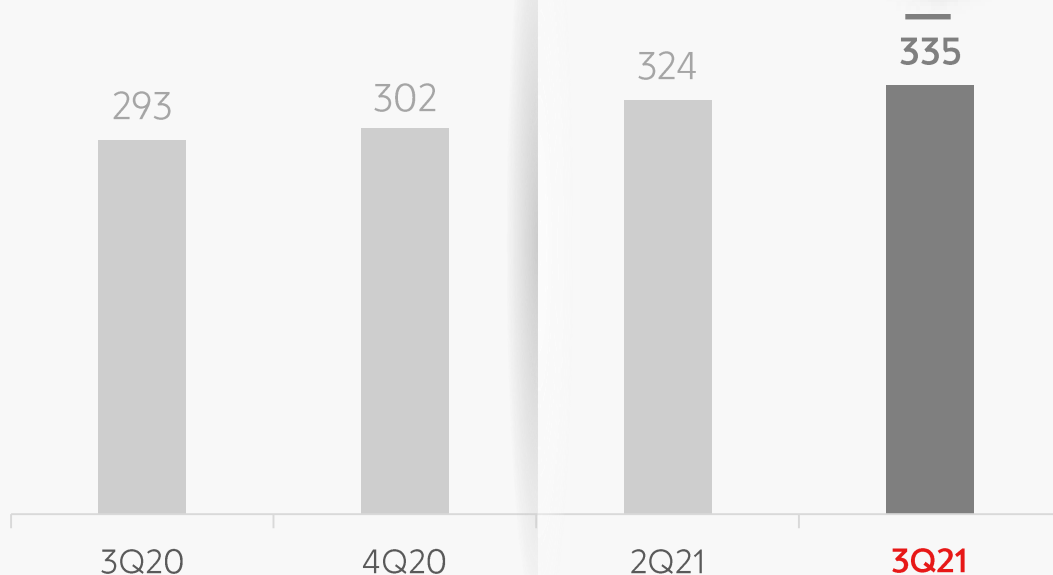
Credit portfolio

335 NIS billion

14.5% YoY

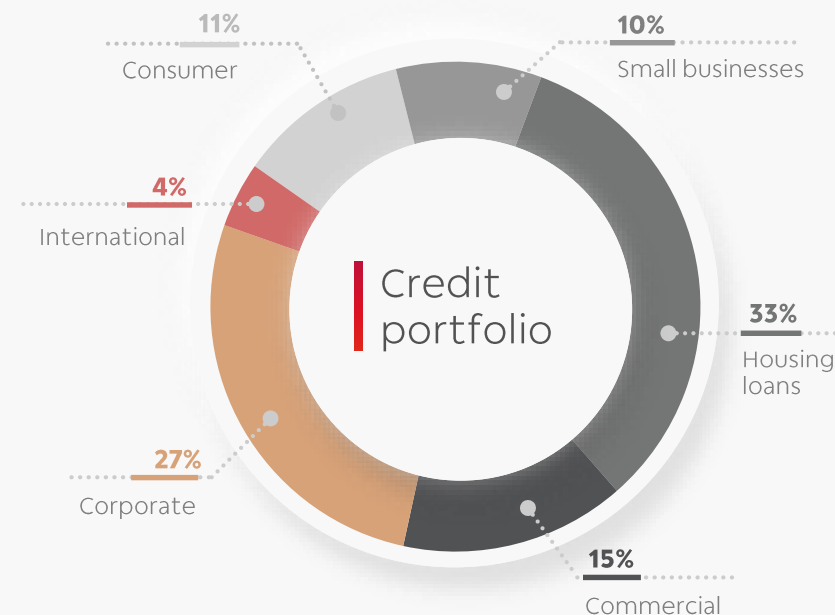
11.1% YTD

3.6% QoQ



Well-diversified

credit portfolio

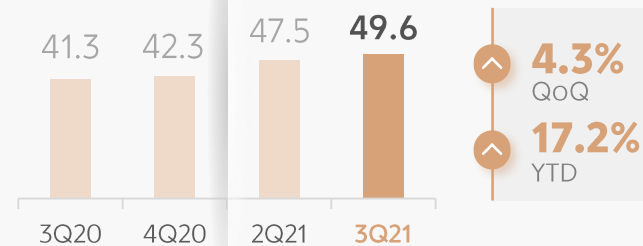


Widespread growth translated into income growth

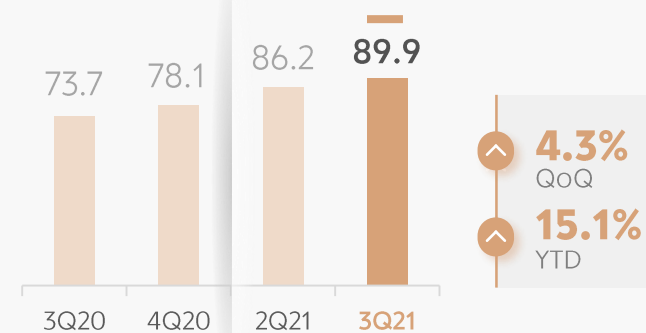
Credit balances

NIS billion

Commercial

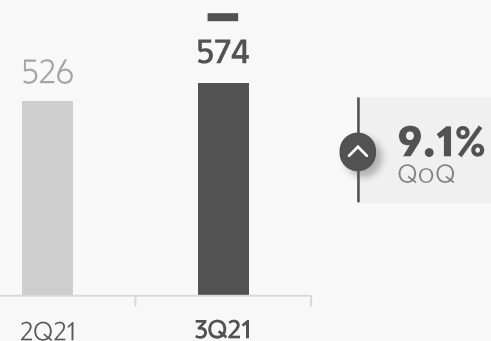
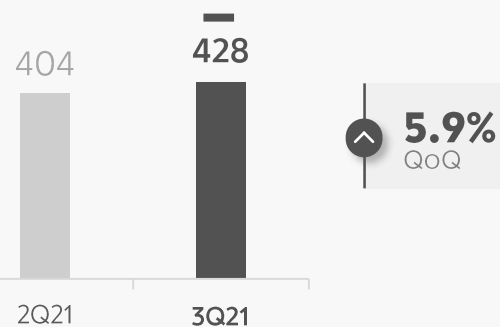


Corporate



Total income

NIS million

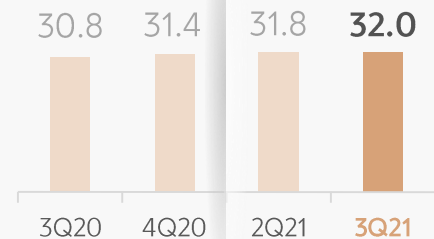


Widespread growth translated into income growth

Credit balances

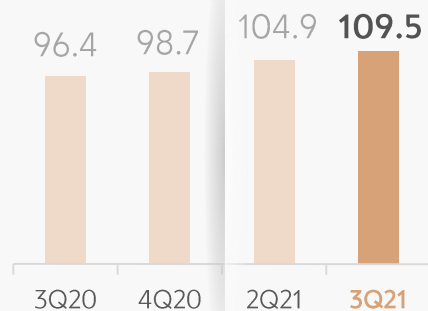
NIS billion

Small businesses



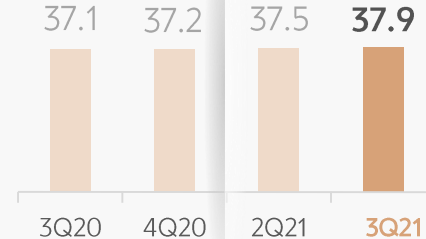
0.7%
QoQ
2.0%
YTD

Housing loans



4.3%
QoQ
10.9%
YTD

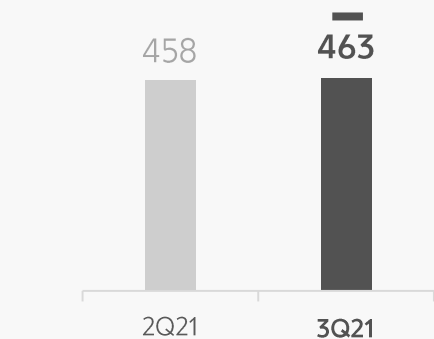
Consumer



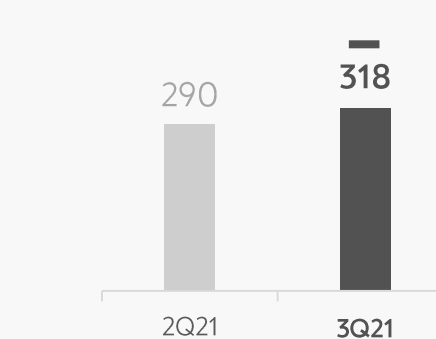
1.1%
QoQ
1.8%
YTD

Total income

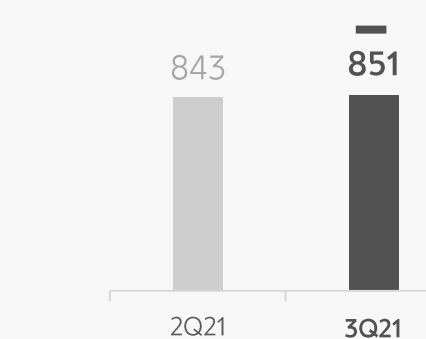
NIS million



1.1%
QoQ



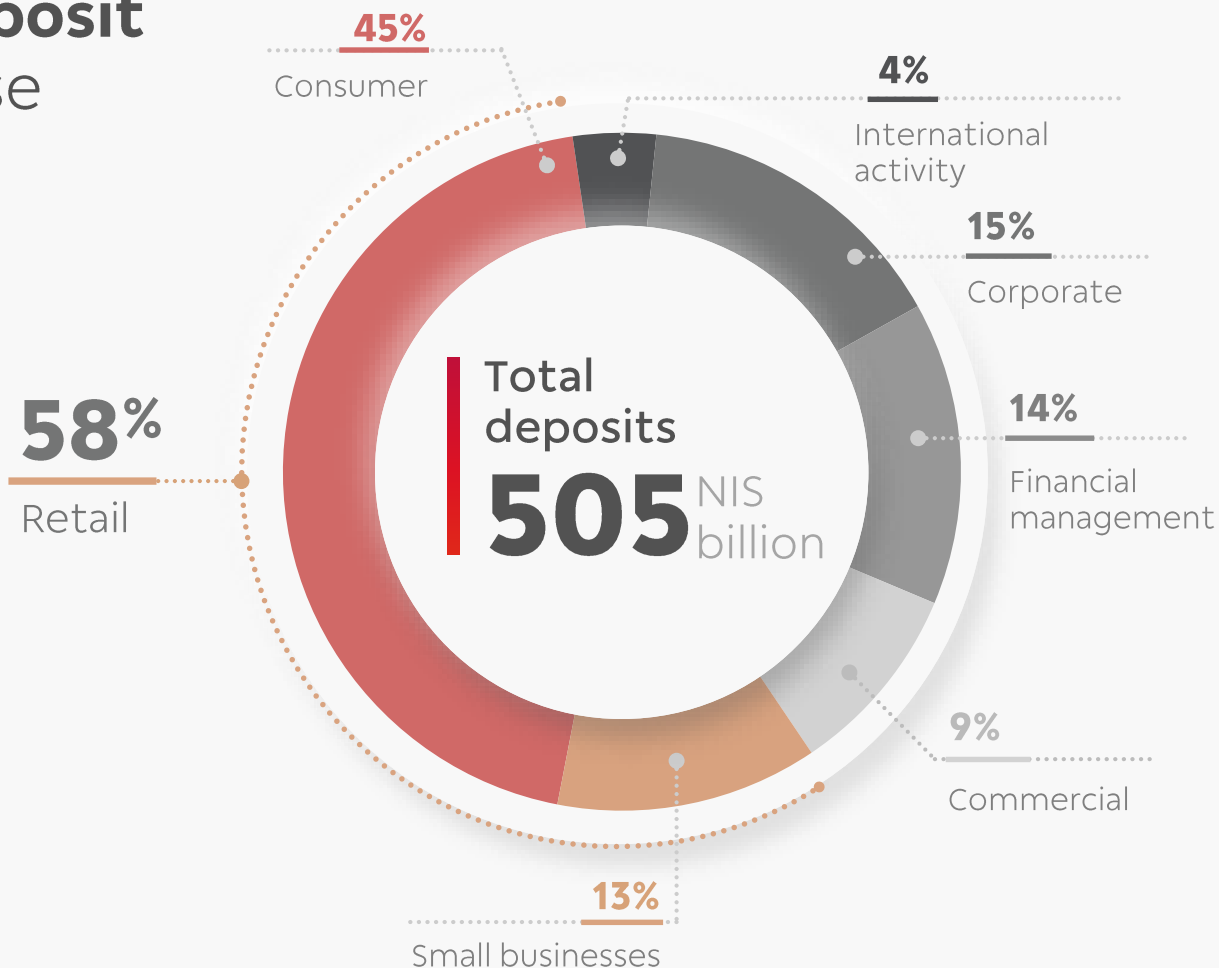
9.7%
QoQ



0.9%
QoQ

Deposits continue to grow, crossing half a trillion shekels

Deposit base



Largest retail deposit base in the sector

289 NIS billion

+5.7%
YoY

+5.1%
YTD

+1.6%
QoQ

LCR

127%

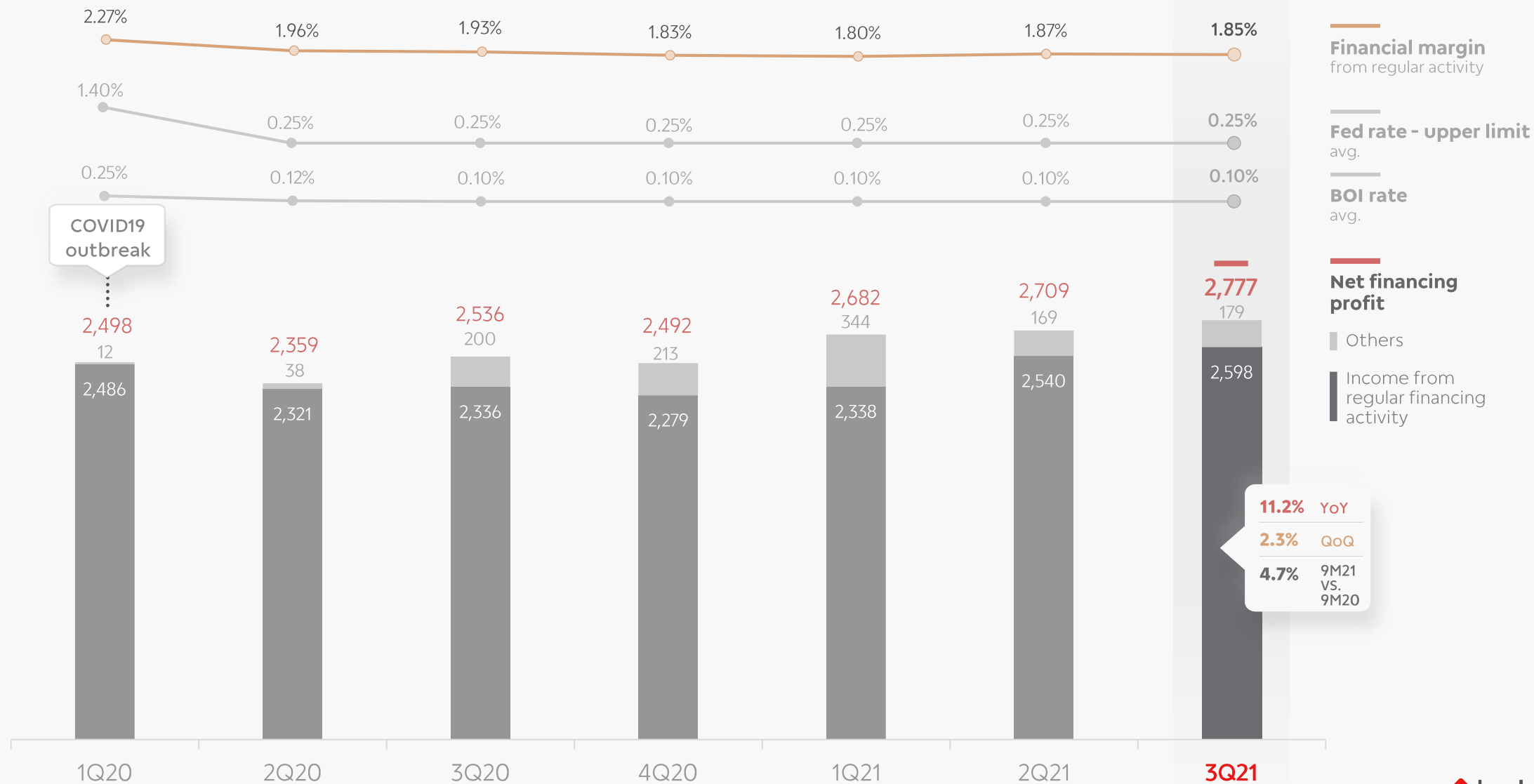
Above regulatory requirement of 100%

Non-interest-bearing deposits

Of total deposits: 45%

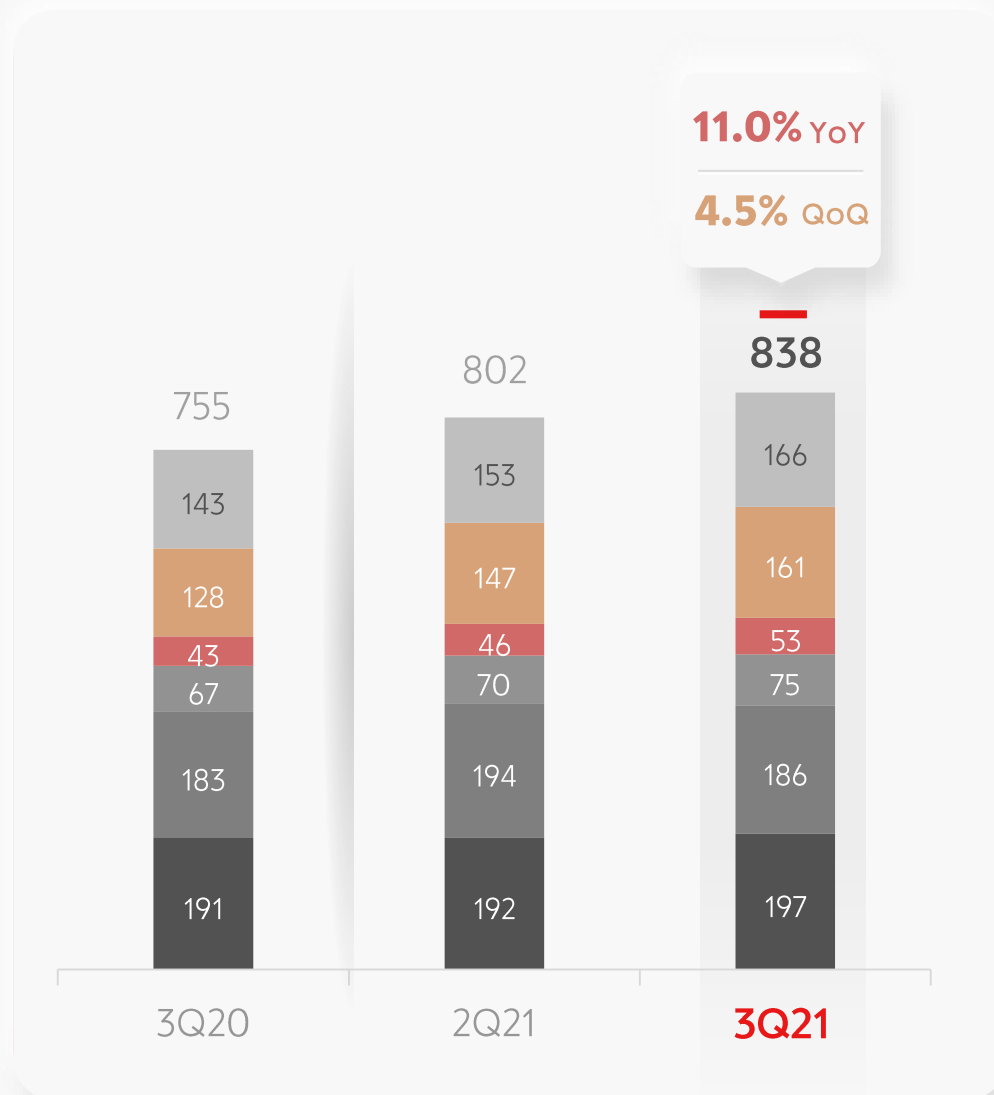
Continued revenue momentum in core banking

NIS million



Fee growth reflects recovering business activity

NIS million



Total fees

Other fees

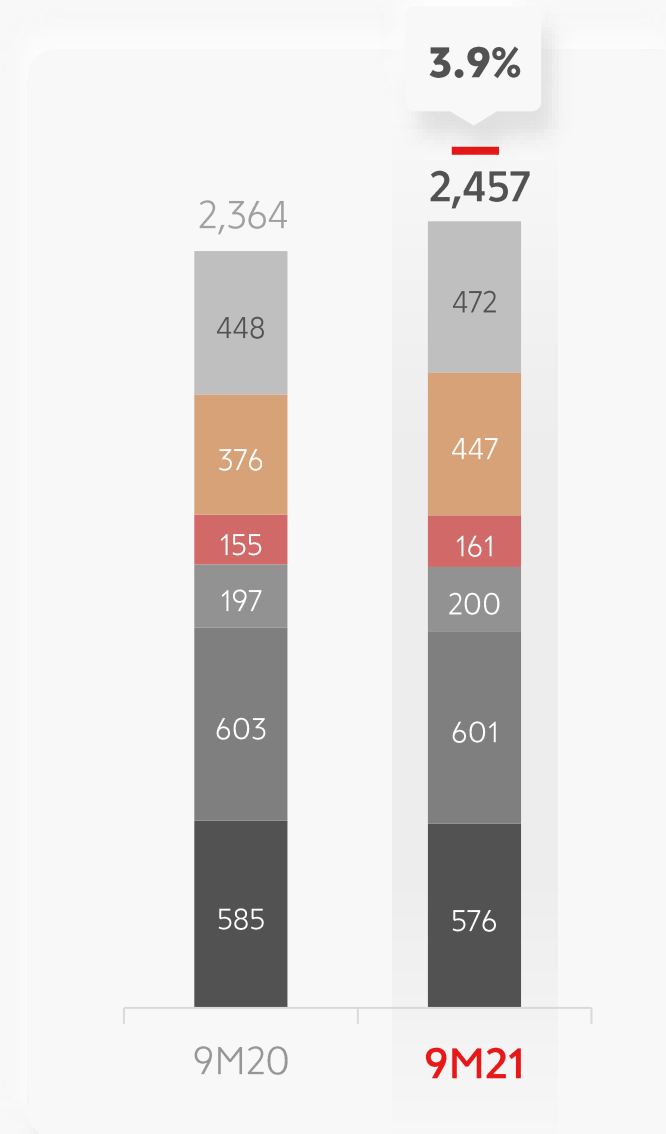
Financing activities

Credit handling

Credit cards

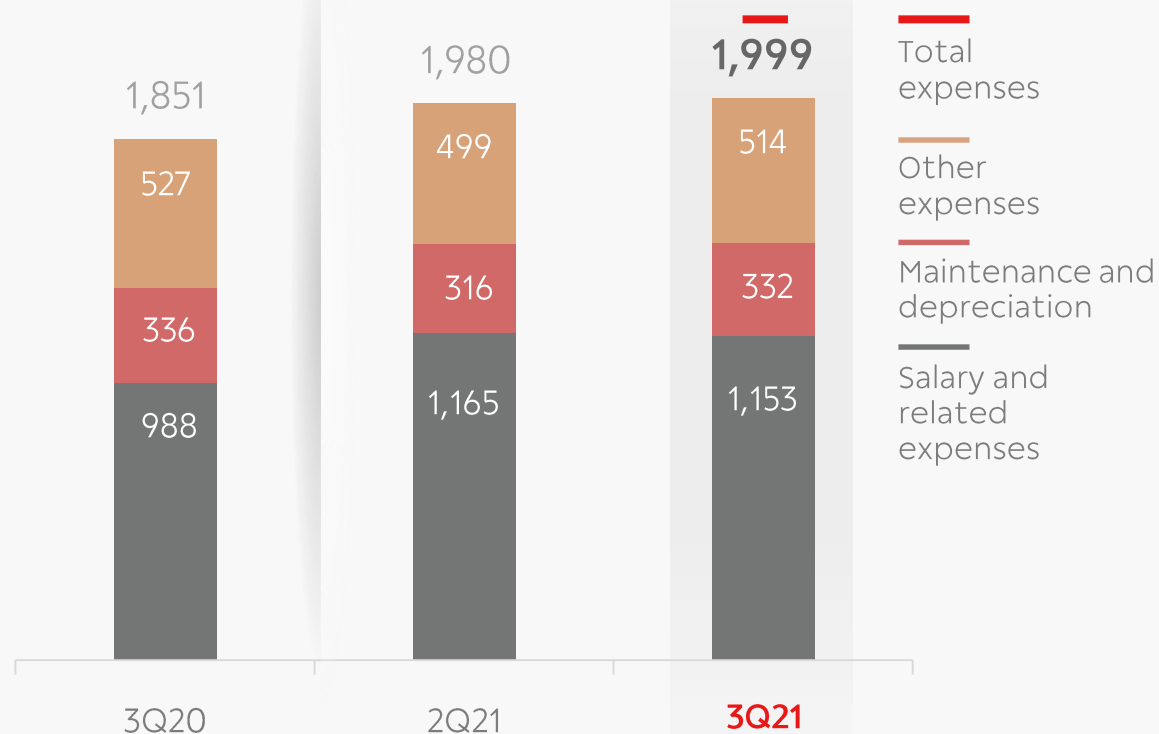
Securities

Account management



Disciplined management of operating expenses

NIS million

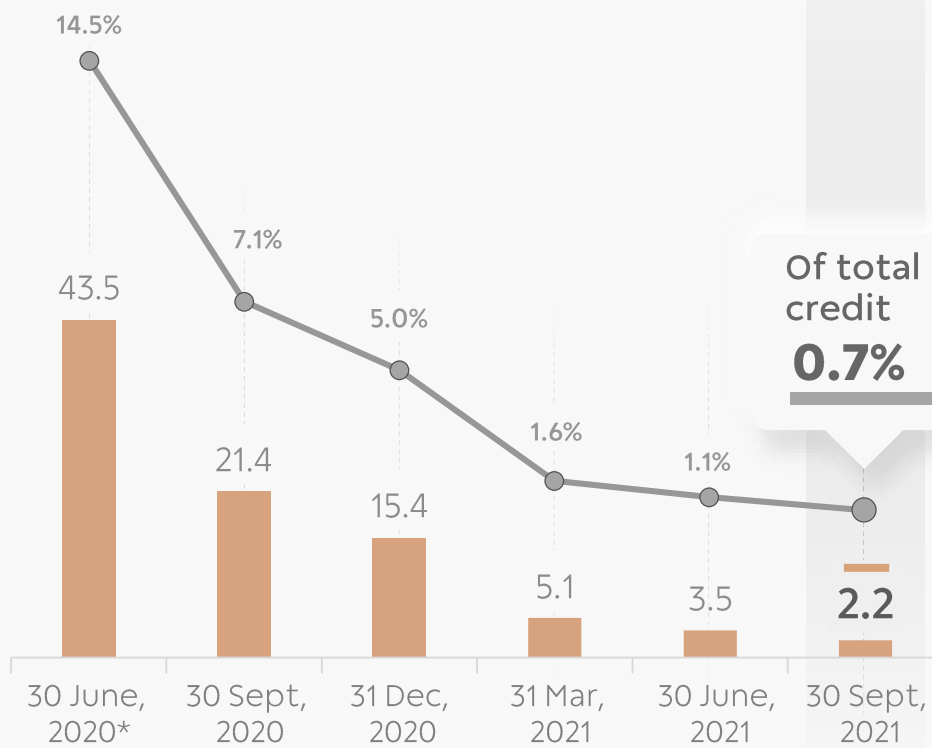


3Q21
cost income ratio
54.9%

Increase in salary expenses is attributed to a provision for performance-based bonus and a special bonus in honor of the centennial of the Bank

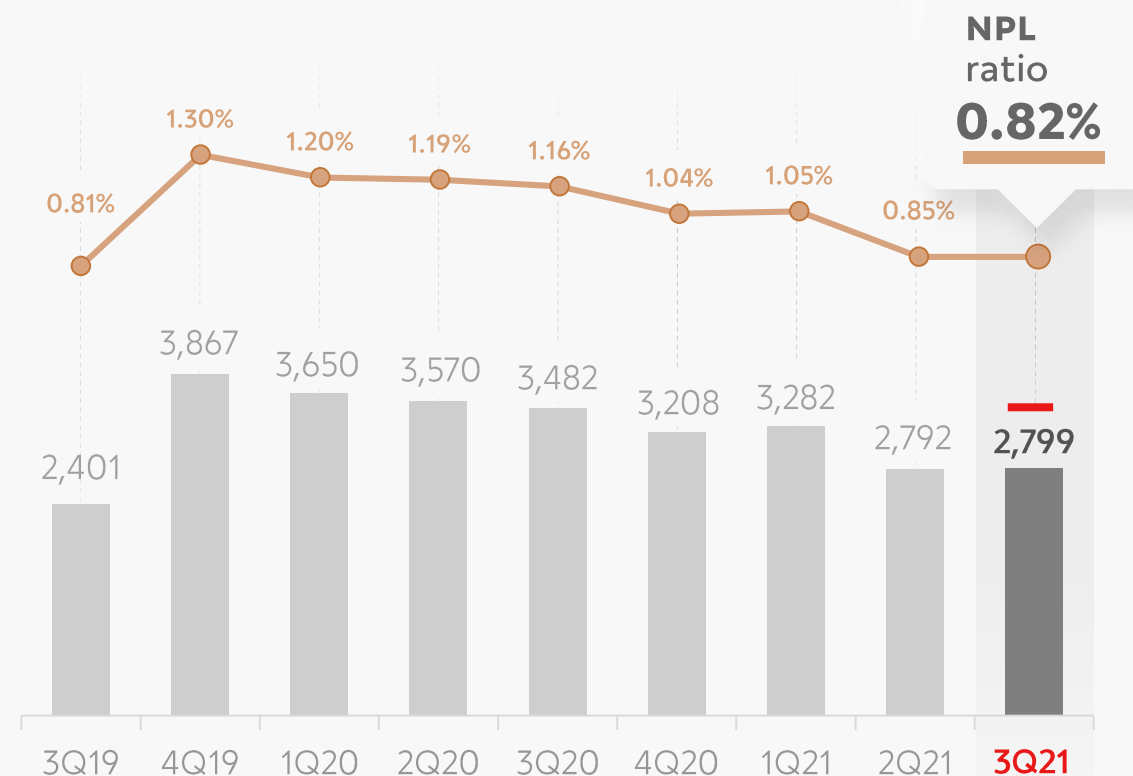
Further decline in deferrals and NPL balances

Balance of deferred loans NIS billion



NPL levels

NIS million

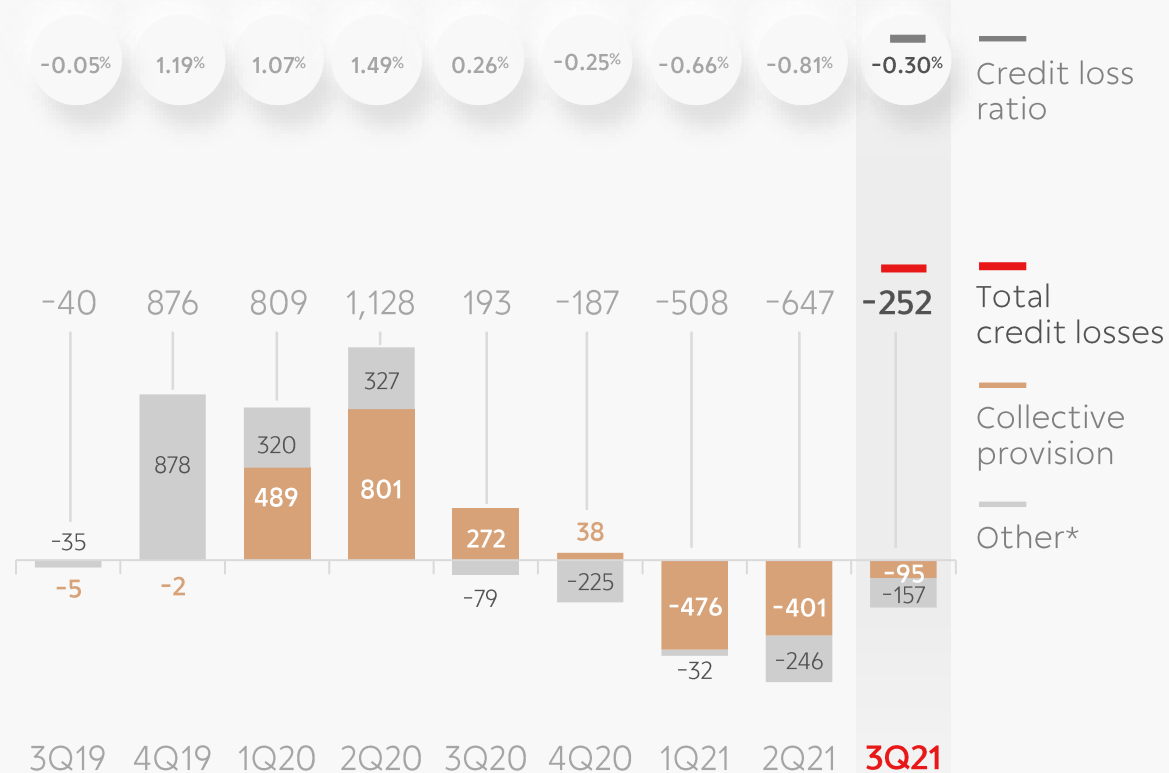


* Deferrals, as reported in the 2Q20 financial report, include debts for which the payment deferral period ended prior to that date.

Another quarter of income from credit losses; reserve remains relatively high

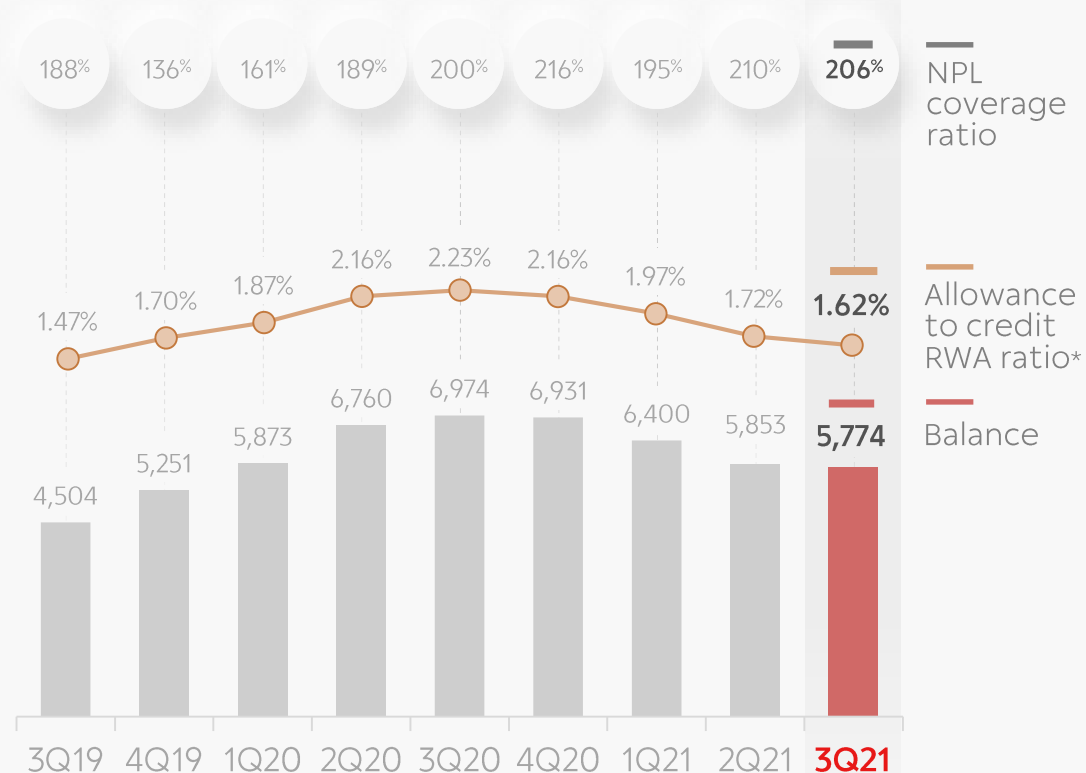
— NIS million

Provision for credit losses



* Other provision for credit losses includes individual provisions and net charge-offs.

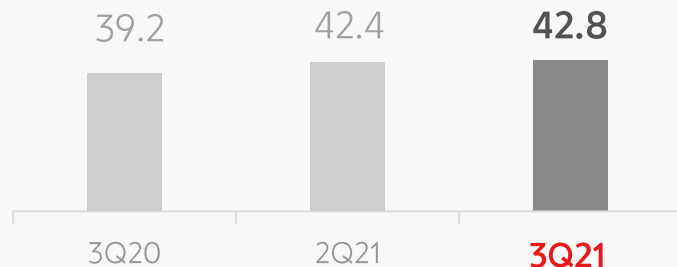
Allowance for credit losses



* Allowance to total credit risk as of September 30, 2021 is 0.93%.

Capital surplus allowed dividend distribution

CET-1 capital NIS billion



↑ **9.2%**
YoY

↑ **0.8%**
QoQ

Dividend**

30% in respect of
3Q21 profits

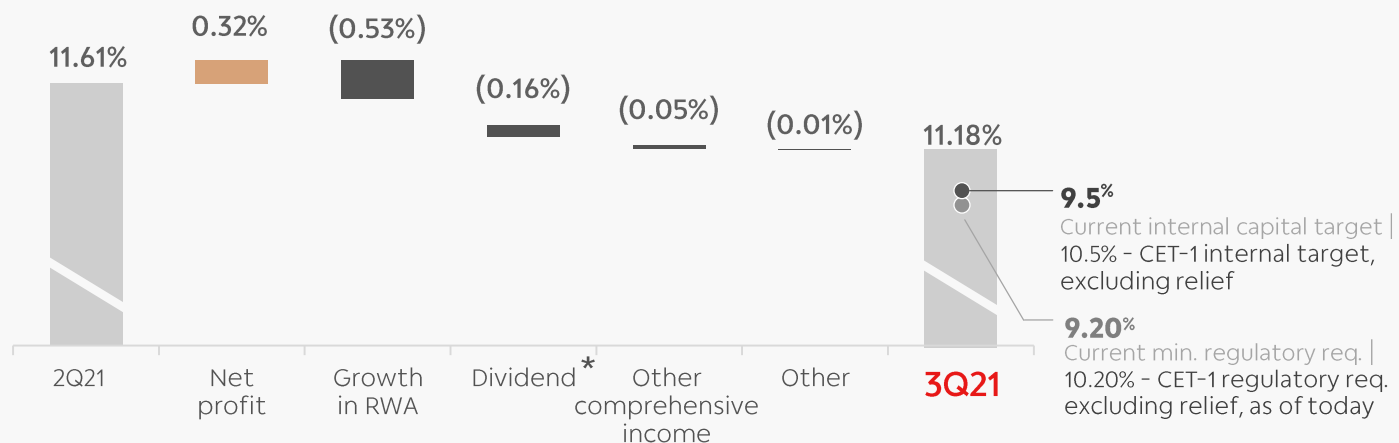
362
NIS million



Catch-up in
respect of 1H21 profits

500
NIS million

CET-1 capital ratio development



Total capital ratio

13.69% vs. current reg. req. of 12.5% /
13.5% reg. req. excluding relief

Tier 2 issuance of USD 1 Bn=~84 bps (based on 3Q21 figures)
to be recognized in 4Q21 report

Leverage ratio

6.3% vs. current reg. req. of 5.5% /
6.0% reg. req. excluding relief

* Dividend paid in August 2021, in the amount of NIS 617 m.

** The cash dividend will be paid on December 8, 2021.

Note: For additional information regarding capital requirements, refer to note 9 in the 3Q21 financial report.

Corporate strategy focused on three pillars

Committed to growth through innovative and fair banking for our customers

Growth in core banking

1

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

2

- 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

3

- 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



Tier 2 issuance of USD 1 billion to support future growth



Offering

An impressive inaugural size with 2.6x oversubscription at launch

International private offering for institutional investors

Rated BBB by S&P and Fitch



Rationale

Support future growth

Improve capital structure

Diversify investor base

Strengthen our commitment to ESG and promote sustainable financing



"Green COCO"

First ever "green" issuance out of Israel

An amount equivalent to the net proceeds will be allocated to finance eligible green projects

The Bank will establish a "Green Bond Committee" to oversee, monitor and manage the allocation process



3Q21 key takeaways

1

ROE of 11.8% in 3Q21, **13.1%** in 9M21

2

Strong credit growth momentum, YoY increase of **14.5%**

3

Credit growth translated into an **increase in income**

4

Continued improvement in asset quality;
reserve remains relatively high

5

Declared dividend of 30% of 3Q21 net profit;
in addition, NIS 500 m dividend in respect of 1H21

6

Continued strategy execution;
Tier 2 issuance to **support future growth**



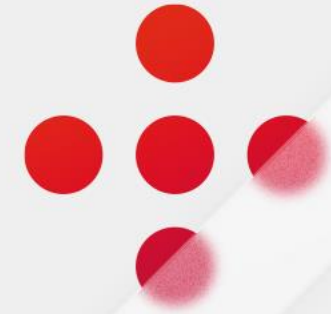
Appendix

Key balance sheet items

NIS million

	3Q20	2Q21	3Q21
Cash on hand and deposits with banks	128,421	170,439	175,765
Securities	67,835	69,910	70,383
Net credit to the public	292,845	323,757	335,297
Deposits from the public	417,005	483,090	505,483
Deposits from banks	3,280	10,110	10,448
Bonds and subordinated notes	24,724	20,944	18,761
Shareholders' equity	38,971	42,314	42,717
Total balance sheet	513,686	586,344	604,324

Note: For a full balance sheet, please refer to the Bank's financial statements for 3Q21.



Israel's leading
financial institution

3Q21

 bank hapoalim