

Q2 – 2016

Results Presentation

August 11, 2016



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SECOND QUARTER 2016 HIGHLIGHTS

Continued Growth in Business Activity

Improved Asset Quality

Reached Capital Adequacy Target

THE ISRAELI ECONOMY

- A **vibrant** and **modern** economy with sound fundamentals
- **Economic growth** higher than most developed markets
- A **strong** and **well-supervised** banking system

	2014	2015	2016F
Gross domestic product	2.6%	2.5%	2.2%
Unemployment	5.9%	5.3%	5.2%
Budget deficit (% of GDP)	2.8%	2.2%	2.5%
Inflation	(0.2%)	(1.0%)	0.1%
Bank of Israel interest rate	0.25%	0.1%	0.1%
NIS-USD exchange rate	3.89	3.90	3.90

SOURCE: CBS, BoI, Bank Hapoalim Forecast

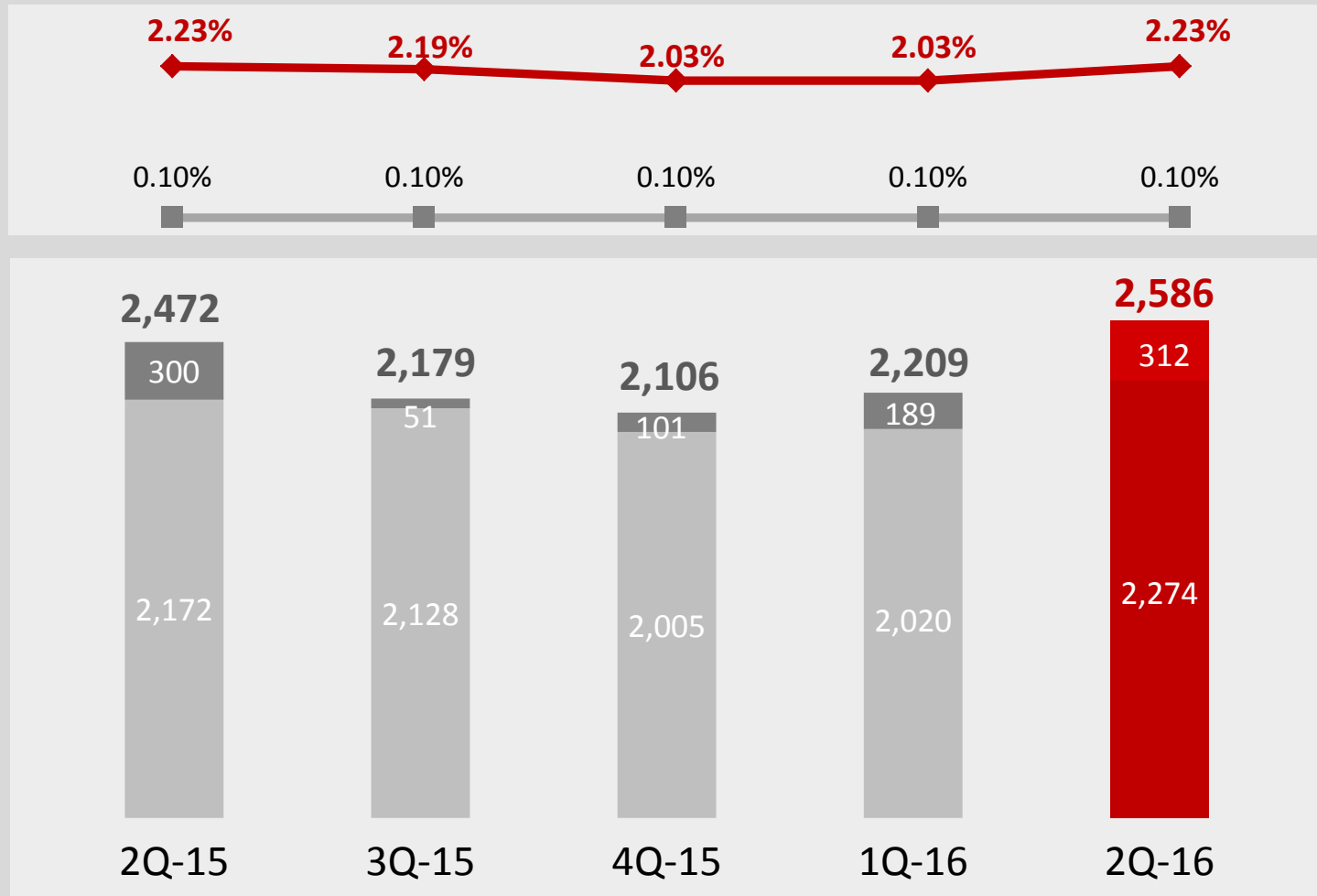
2Q-16 FINANCIAL RESULTS

[NIS Millions]

	2Q-15	1Q-16	2Q-16
Total Net Financing Profit	2,472	2,209	2,586
Fees and Other Income	1,344	1,336	1,319
Total Income	3,816	3,545	3,905
Provision for Credit Losses	(213)	(46)	+128
Operating and Other Expenses	(2,108)	(2,202)	(2,242)
Profit before Taxes	1,495	1,297	1,791
Provision for Taxes on Profit	(628)	(631)	(671)
Net Profit	886	674	1,117
Return on Equity (ROE)	11.6%	8.4%	13.9%

NET FINANCING PROFIT

[NIS Millions]



◆ Financial Margin from Regular Activity ■ Bank of Israel Interest Rate (Average) ■ Profit from Regular Financing Activity ■ Others

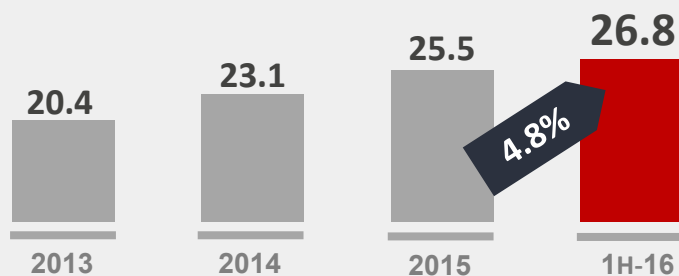
NOTE: Includes net interest income and non-interest financing income

* Includes 109m profit from sale of Visa Europe and 108 m profit from sale of impaired loans

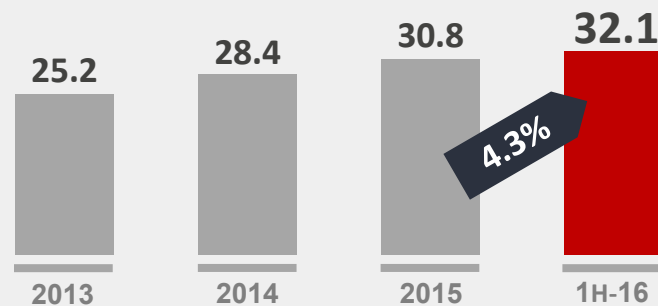
CONTINUED CREDIT GROWTH IN FOCUS SEGMENTS

[NIS Billions]

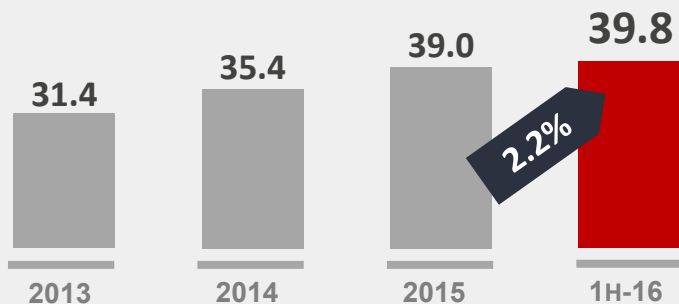
Small Businesses



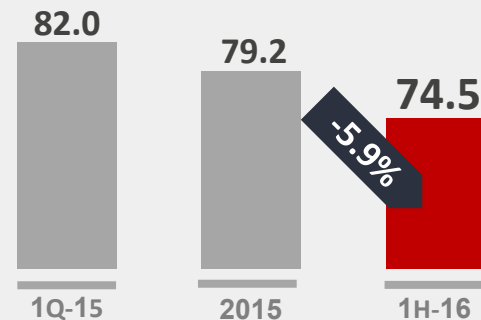
Middle Market (Commercial)



Private Customers



Corporate*

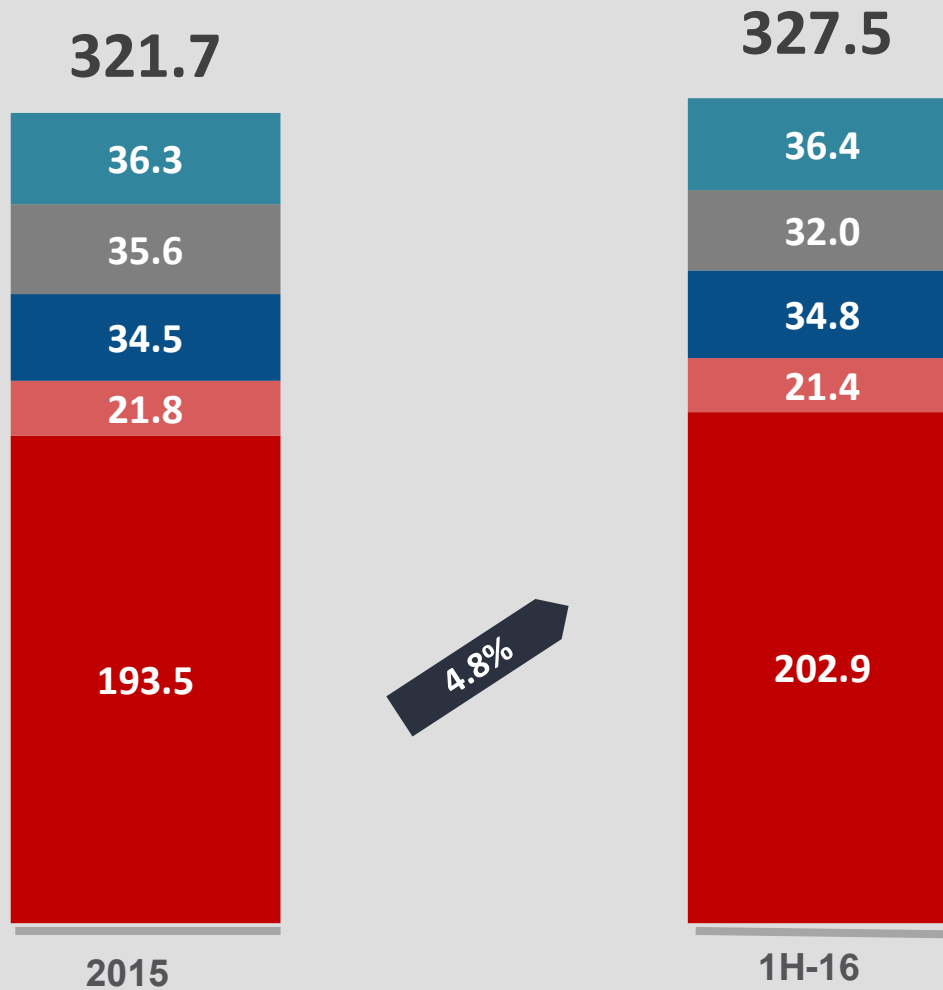


IN ISRAEL

* Restated

STABLE DEPOSIT BASE

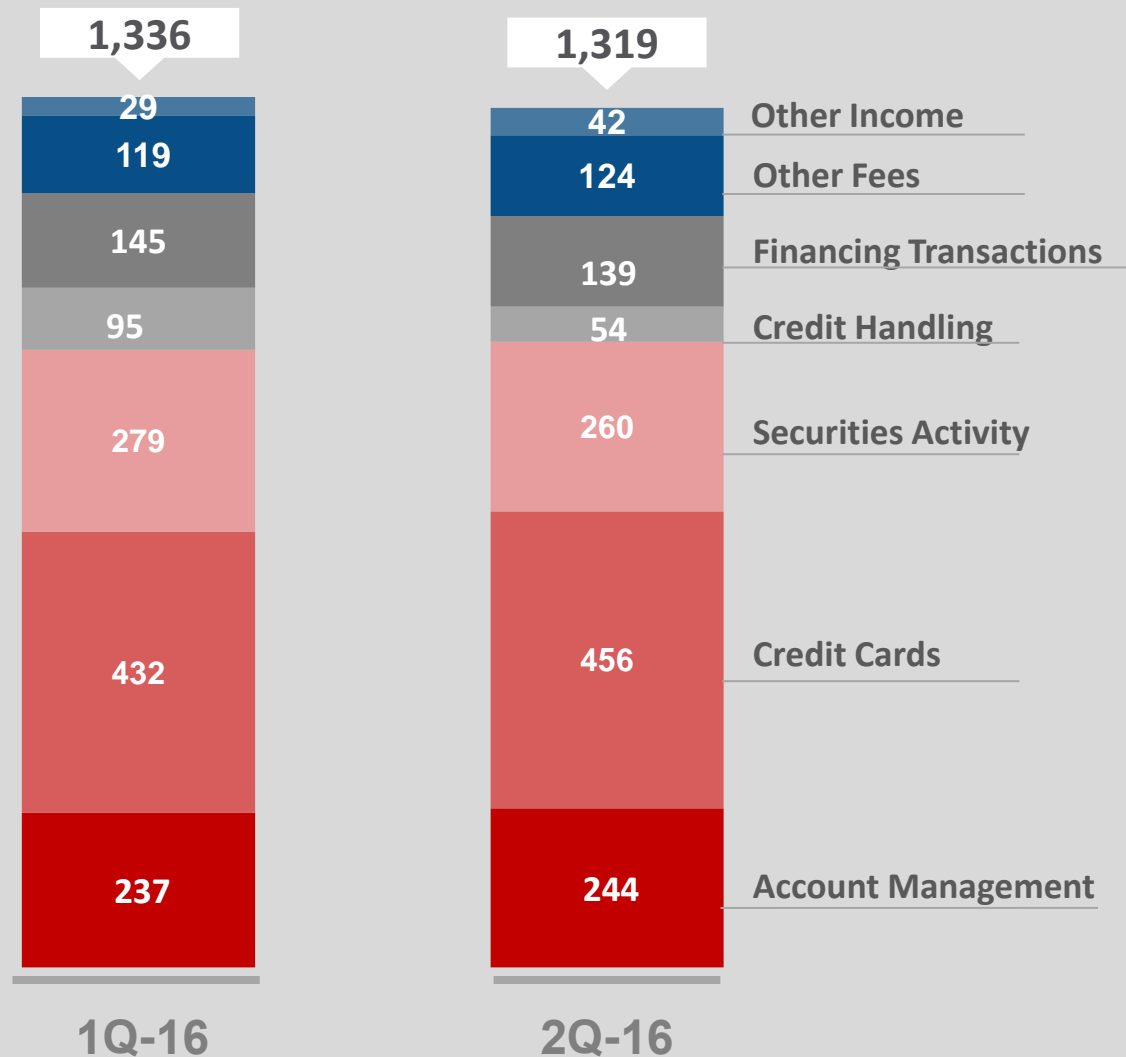
[NIS Billions]



■ Retail ■ Commercial ■ Corporate ■ Financial Management ■ International

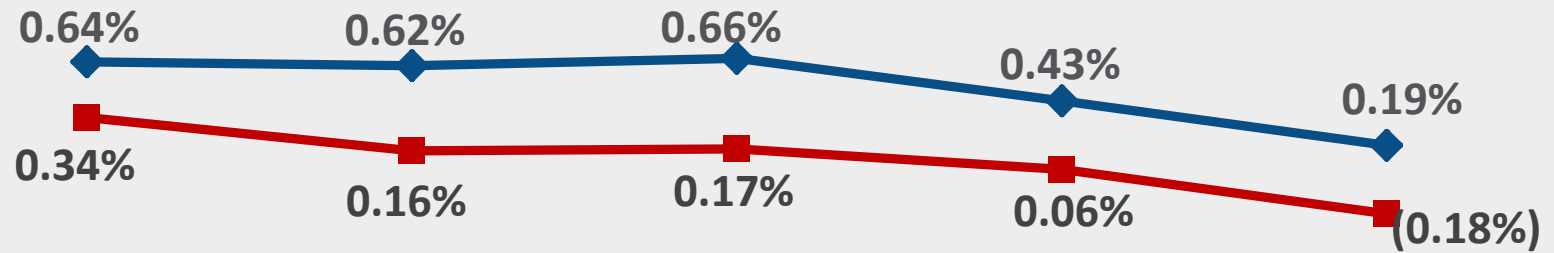
FEES AND OTHER INCOME

[NIS Billions]

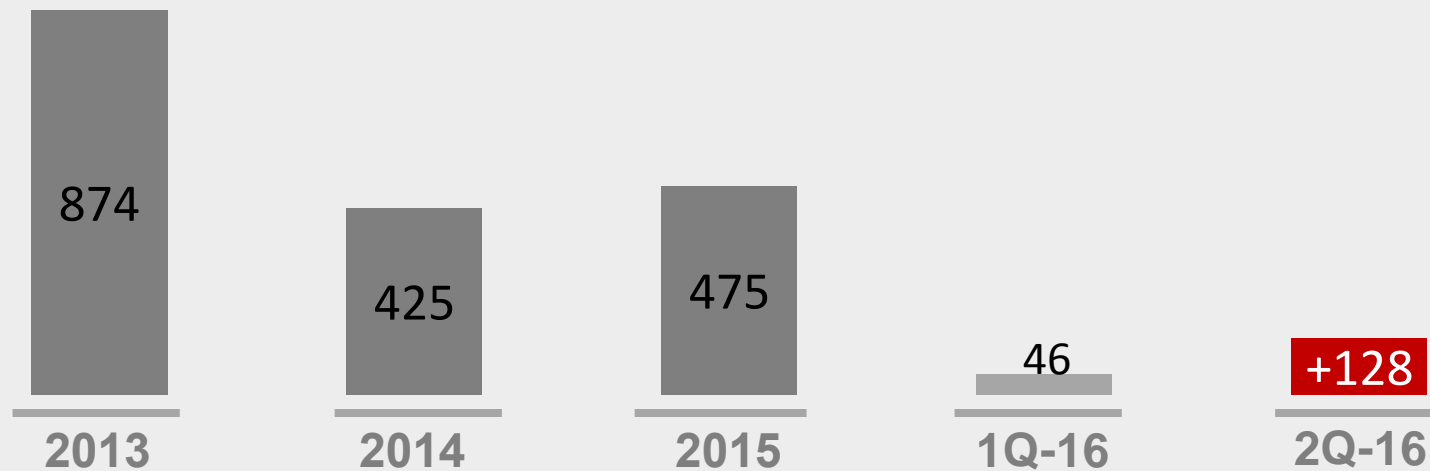


PROVISION FOR CREDIT LOSSES

[NIS Millions]



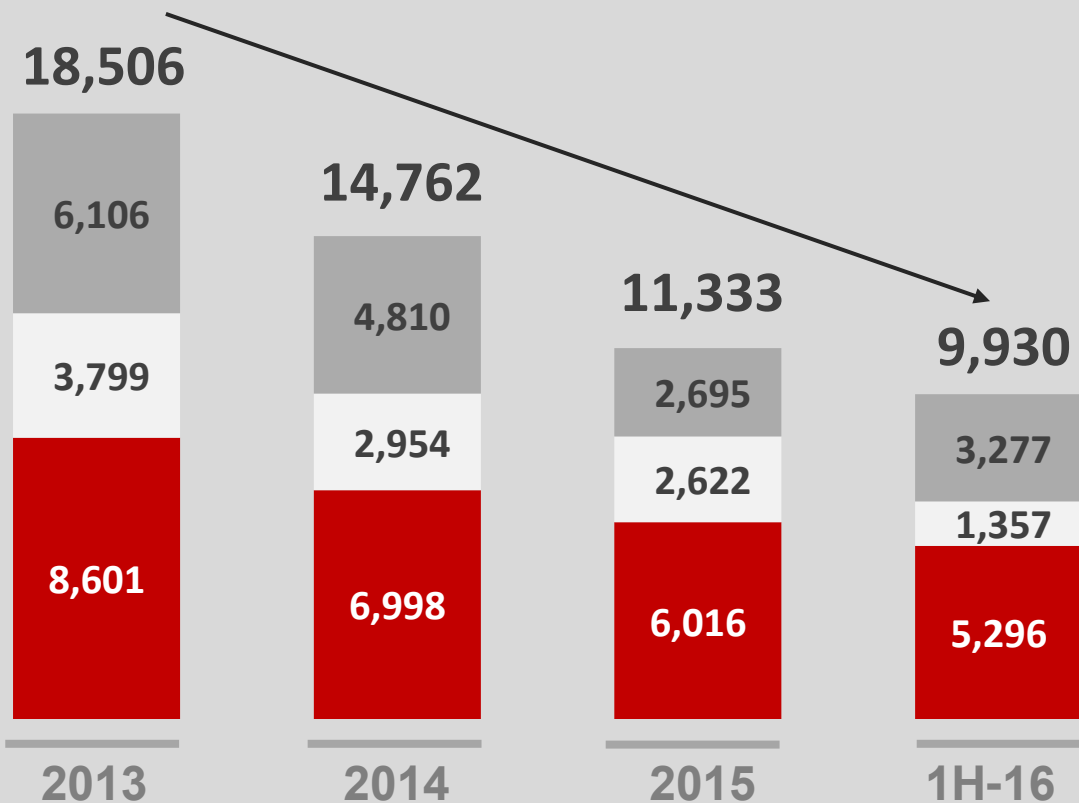
◆ Gross provision as a % of average balance of credit ■ Net provision as a % of average balance of credit



■ Net Provision

PROBLEMATIC DEBTS

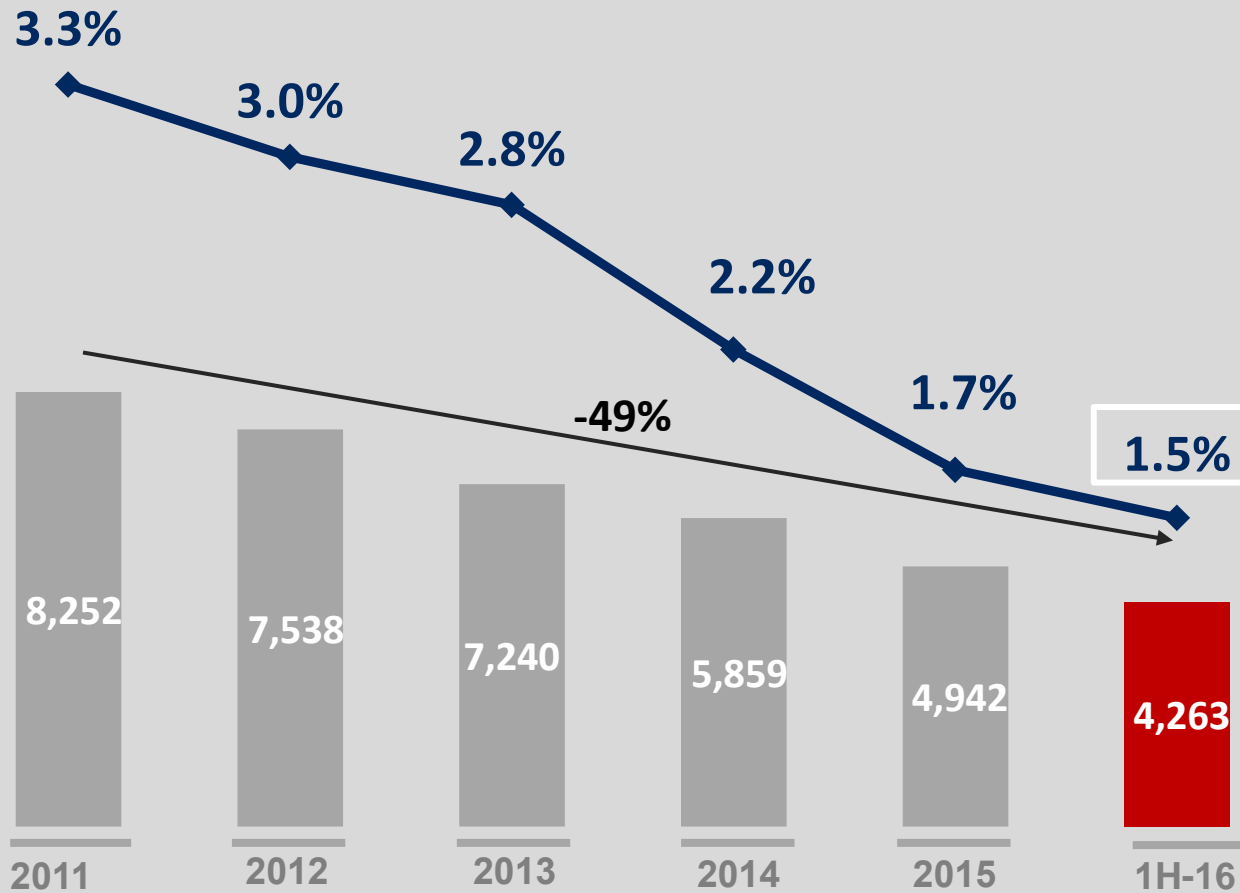
[NIS Millions]



■ Impaired ■ Substandard ■ Special Supervision

CONTINUOUS DECLINE IN NPL's

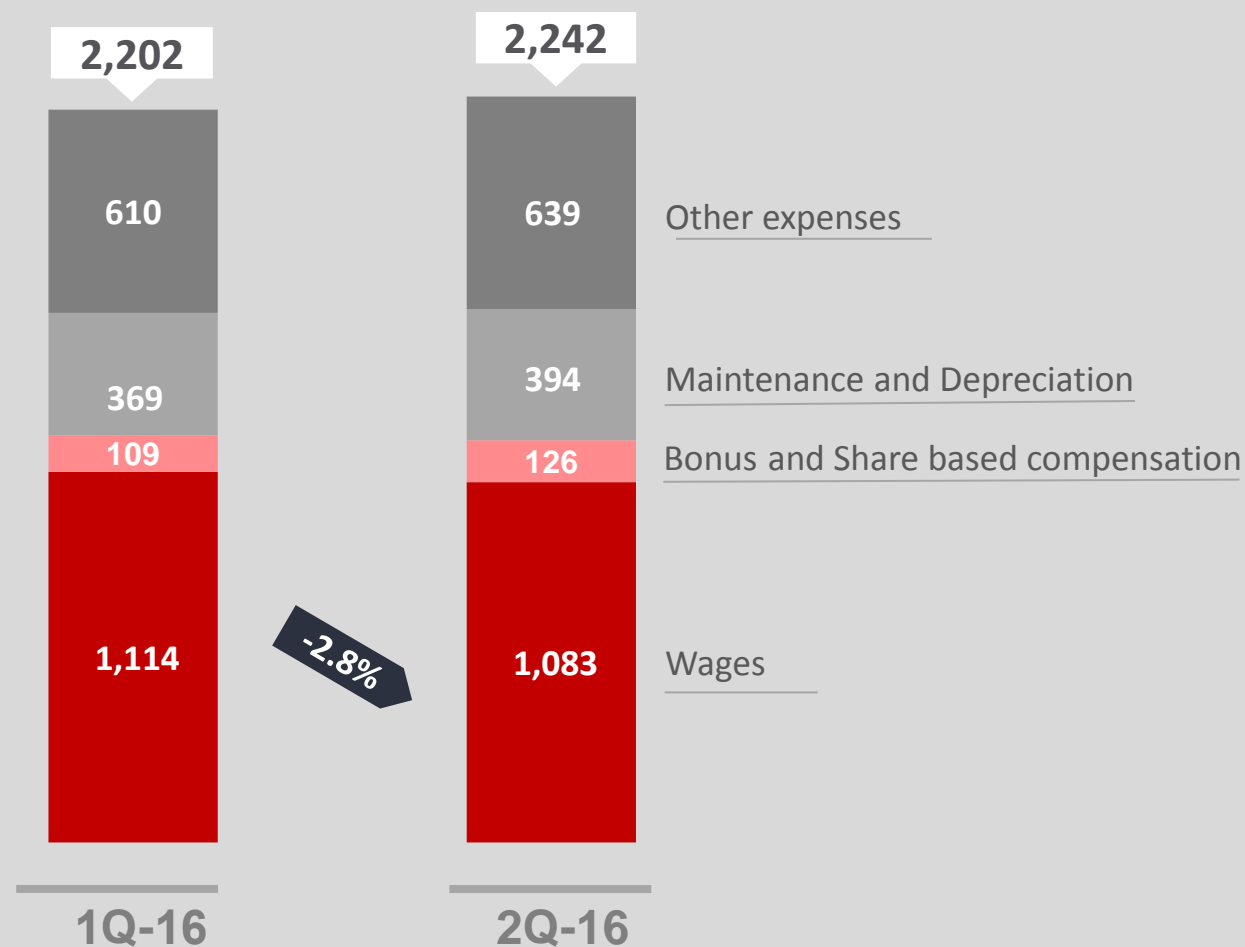
[NIS Millions]



◆ NPL Ratio ■ NPL

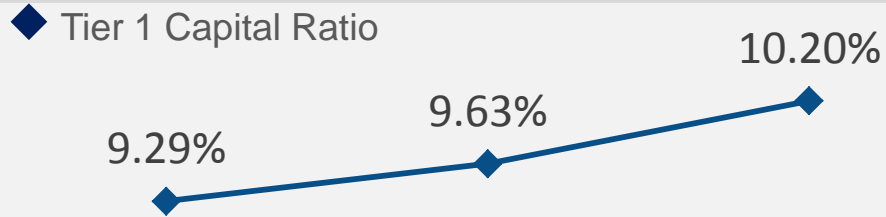
OPERATING AND OTHER EXPENSES

[NIS Millions]



CAPITAL ADEQUACY

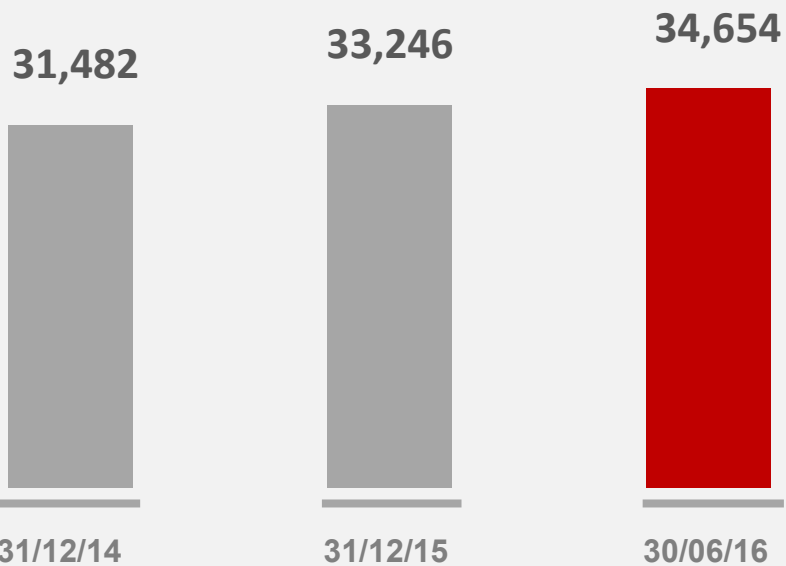
[NIS Millions]



Regulatory Target

31/12/16 ▶ **10.2%**

■ Common Equity Tier 1 Capital



Bank's Capital Plan

31/12/17 ▶ **10.75%**

Total Capital Ratio

30/06/16 ▶ **14.4%**

Target :
31/12/16 ▶ **13.7%**

CONSISTENT DIVIDEND PAYOUT

**20% Quarterly
dividend payout**



**Dividend payment of
NIS 223 million**
from second quarter 2016
earnings

POLICIES:

 **bank hapoalim**

LUMI

DSCT

MZTF

FIBI

**20%
declared**

0%

0%

**15%
declared**

**50%
policy**

2nd QUARTER 2016 SUMMARY

Continued
Growth in
Business Activity



Increased Profit
from Financing
Activity

Improved
Asset Quality



Reached YE
Capital Target



Israel's largest and leading financial institution

THANK YOU!

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