The following is an unofficial translation of the Hebrew report and has been prepared for convenience only. In case of any discrepancy, the Hebrew version prevails.

בנק הפועלים בע"מ

Bank Hapoalim B.M.

Number with the Registrar: 520000118

Securities Authority www.isa.gov.il	Tel Aviv Stock Exchange Ltd. www.tase.co.il	Tav 125 (Public)	Transmitted Via Magna *26/07/2022* Ref: *2022-01-095524*

Immediate Report on the Rating of Debt Certificates / Rating of a Corporation or Discontinuation of Rating

On *26/07/2022*, Other *Moody's* published:

◙ An *up-to-date* rating report / notice

○ Notice of discontinuation of rating

1. Rating report or notice

◙ Rating of the Corporation: *Other Moody's* ________ *stable*

Notes/Nature of the Notice: *Other Approval of Rating A2/P-1*

Rating history for the 3 years preceding the date of the rating / notice:

Date	**Subject of the rating**	**Rating**	**Notes/nature of the notice**
24/01/2022	*Bank Hapoalim B. M.*	*Other A2/P-1 Moody's_________ stable*	*Rating approval*
15/06/2021	*Bank Hapoalim B. M.*	*Other A2/P-1 Moody's_________ stable*	*Rating approval*
09/12/2020	*Bank Hapoalim B. M.*	*Other A2/P-1 Moody's_________ stable*	*Rating approval*
04/08/2020	*Bank Hapoalim B.M.*	*Other A2/P-1 Moody's_________ stable*	*Rating approval*
25/02/2020	*Bank Hapoalim B.M.*	*Other A2/P-1 Moody's_________ stable*	*Rating approval* ____________
26/09/2019	*Bank Hapoalim B.M.*	*Other A2/P-1 Moody's_________ stable*	*Rating approval*

Explanation: Under the rating history only the rating history of the rating company referred to in the Immediate Report should be specified.

□ Rating of the Corporation's Debt Certificates:

Name and Type of Security	Number of the Security on the Stock Exchange	Rating Company	Present Rating	Notes/Nature of the Notice
	________	_________		

Rating history for the 3 years preceding the rating date / notice:

Name and Type of Security	Number of the Security on the Stock Exchange	Date	Type of Rated Security	Rating	Notes/Nature of the Notice
________	___________ __	_____	_______	_____ ____ ____ ____ ____	___________ ___________

Explanation: Under the rating history only the rating history of the rating company referred to in the Immediate Report should be specified.

Attached hereto is the rating report: *Bank Hapoalim 26Jul22 isa.pdf*

2. On (date) ________, ________ __________ gave notice of discontinuation of rating to: ________

Particulars of the signatories authorized to sign on behalf of the corporation:

	Name of Signatory	Job Title
1	*Ram Gev*	*Other* *Chief Financial Officer*
2	*Tamar Koblenz*	*Other* *Head of Investor Relations Department*

Explanation: According to Regulation 5 of the Periodic and Immediate Reports Regulations, 5730-1970, a report filed pursuant to these Regulations should be signed by the persons authorized to sign on behalf of the corporation. ISA Staff position on the subject can be found on the ISA website: Press here

Note: Moody's ratified the Bank's long-term rating at a level of A2 and the short-term rating of the Bank at a level of P-1. The rating outlook remained stable.

Signed on 26.7.2022

The reference numbers of the previous documents on the subject (any citation made does not constitute inclusion by way of reference):

Date on which the structure of the form was updated: 07/06/2022

The securities of the Corporation are listed for trading on the Tel Aviv Stock Exchange
Abbreviated Name: Poalim
Address: POB 27, Tel Aviv 6100001 Telephone: 03-567 3800. 03-567 3333, Fax: 03-567 4576
Electronic Mail: gilad.bloch@poalim.co.il Company Website: http://www.bankhapoalim.co.il

Previous names of reporting entity:

Name of Electronic Reporter: Bloch Gilad, His Job Title: Secretary of the Bank, Name of Employing Company:
Address: Yehuda Halevy 63, Tel-Aviv 6578109, Telephone: 03-567 3800 Fax: 03-567 4576,
Electronic Mail: gilad.bloch@poalim.co.il

MOODY'S INVESTORS SERVICE

CREDIT OPINION
26 July 2022

Update

Send Your Feedback

RATINGS

Bank Hapoalim B.M.

Domicile	Tel Aviv, Israel
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	A2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Bank Hapoalim B.M.

Update to credit analysis

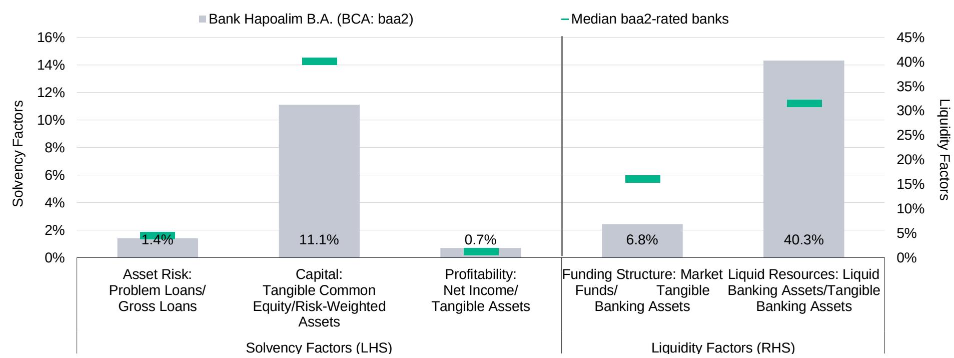
Summary

Bank Hapoalim B.M. (Bank Hapoalim)'s A2 long-term deposit ratings reflect (1) the bank's baa2 Baseline Credit Assessment (BCA); and (2) three notches of rating uplift from our assessment of a very high likelihood of support from the Government of Israel (A1 positive), in case of need.

Bank Hapoalim's baa2 standalone BCA reflects the bank's (1) strong deposit-based funding structure and sound liquidity; (2) adequate capitalisation, with a Moody's tangible common equity (TCE)/risk-weighted assets (RWAs) ratio of 11.1% as of March 2022, which although it is below similarly-rated international peers it mainly reflects the Bank of Israel's (BoI) conservative risk weights; and (3) low levels of problem loans and contained credit losses over an economic cycle.

At the same time, Bank Hapoalim's BCA also reflects (1) moderate profitability, which is nevertheless supported by ongoing revenue growth and cost discipline; and (2) downside risks from a significant and growing exposure to the Israeli property market through lending to the real estate sector and residential mortgages and from potential geopolitical events.

Exhibit 1
Rating Scorecard - Key financial ratios



These are our Banks Methodology scorecard ratios. Asset Risk and Profitability reflect the weaker of either the latest figure or the three-year and latest figure average. Capital is the latest reported figure. Funding Structure and Liquid Resources reflect the latest fiscal year-end figures.
Source: Moody's Investors Service

Credit strengths

» Strong retail deposit-based funding structure and sound liquidity

» Solid loan quality and contained single-borrower concentrations

» Very high likelihood of government support, in case of need, underpins the deposit ratings

Credit challenges

» Profitability is moderate

» Large exposure to Israel's property market and geopolitical tensions are tail risks

Outlook

The stable outlook on the bank's long-term deposit ratings reflects our expectation that the bank's low levels of problem loans and sound funding and liquidity profile balance downside risks from exposure to real estate, while capitalisation remains adequate.

Factors that could lead to an upgrade

» Bank Hapoalim's ratings could be upgraded in the event of both stronger sovereign creditworthiness, as well as, an improvement in the bank's standalone credit profile. This improvement could arise from (1) materially stronger capital buffers; (2) significantly higher sustained profitability without an increase in asset risk; and/or (3) materially lower sector concentration.

Factors that could lead to a downgrade

» Bank Hapoalim's ratings could be downgraded if operating conditions deteriorate significantly or the downside risks that we refer to in the report crystalise and lead to material weakening of asset quality.

» Lower capital levels, an increase in the bank's asset risk profile, or a persistent weakening in the bank's recurring earnings power could also put pressure on the ratings.

» There could also be negative rating pressure if we consider that the government's willingness or capacity to provide extraordinary support has materially declined.

Key indicators

Exhibit 2
Bank Hapoalim B.M. (Consolidated Financials) [1]

	03-22[2]	12-21[2]	12-20[2]	12-19[2]	12-18[2]	CAGR/Avg.[3]
Total Assets (ILS Million)	637,625.0	638,781.0	539,602.0	463,688.0	460,926.0	10.5[4]
Total Assets (USD Million)	199,804.2	205,716.6	168,058.4	134,246.7	123,349.4	16.0[4]
Tangible Common Equity (ILS Million)	44,136.0	42,632.0	39,363.8	37,860.7	37,708.0	5.0[4]
Tangible Common Equity (USD Million)	13,830.3	13,729.4	12,259.8	10,961.4	10,091.1	10.2[4]
Problem Loans / Gross Loans (%)	0.9	1.2	1.5	1.8	1.2	1.3[5]
Tangible Common Equity / Risk Weighted Assets (%)	11.1	10.7	11.0	11.0	10.9	11.0[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	7.0	9.0	10.3	12.6	8.5	9.5[5]
Net Interest Margin (%)	1.7	1.7	1.8	2.1	2.0	1.9[5]
PPI / Average RWA (%)	2.0	1.8	1.7	1.6	1.8	1.8[6]
Net Income / Tangible Assets (%)	1.1	0.8	0.4	0.6	0.8	0.7[5]
Cost / Income Ratio (%)	49.3	52.6	54.6	58.4	55.5	54.1[5]
Market Funds / Tangible Banking Assets (%)	7.5	6.8	6.5	6.4	6.3	6.7[5]
Liquid Banking Assets / Tangible Banking Assets (%)	38.2	40.3	38.6	31.5	30.2	35.8[5]
Gross Loans / Due to Customers (%)	71.3	68.4	71.1	82.7	81.9	75.1[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Investors Service and company filings

Profile

Bank Hapoalim provides banking and other financial services to households, small businesses, middle-market companies and large corporate customers mainly in Israel. Internationally, Bank Hapoalim's New York branch focuses on providing commercial banking services in North America to local middle-market customers and Israeli companies that are active abroad.

In line with its strategy, Bank Hapoalim has reduced its international private banking activities through the sale or transfer of the customer portfolio of its Swiss subsidiary. At present, there are no remaining customers in the bank's Swiss subsidiary, and the bank is in the process of surrendering its banking license.

The bank also stepped up its efforts to sell its entire stake in Bank Pozitif in Turkey, which specialises mainly in corporate banking, while at the same time gradually reducing the credit portfolio of Bank Pozitif. In March 2022, Bank Hapoalim bought the stake of the minority shareholder (30.2%) increasing its stake in Bank Pozitif to 100% from 69.8% previously, a development which the bank expects will facilitate its withdrawal from Turkey.

Following the divestment by Arison Group of part of its stake in Bank Hapoalim in late 2018, the bank does not have a controlling shareholder.

As of March 2022, Bank Hapoalim had total assets of NIS638 billion ($200 billion). Bank Hapoalim was one of the two largest banks in Israel with a market share of 28.4% in terms of total system assets as of March 2022.

The bank's common stock trades on the Tel Aviv Stock Exchange (ticker: POLI).

Recent developments

We have maintained our stable outlook on Israel's banking system.

The Israeli economy has weathered the pandemic-driven shock better than most advanced economies and its growth prospects remain robust. Furthermore, Israel's exposure to the Russia-Ukraine conflict is limited. The swift and enduring economic recovery and strengthening labour market will help sustain banks' sound loan quality. Israeli banks have large and growing exposure to the country's property market, which combined with rapid house price increases poses a risk to their loan performance. Tight underwriting standards for residential mortgages provide a safeguard, however.

Capital will remain sound, underpinned by conservative regulatory risk weights on mortgages. Profitability is moderate and will be supported by business growth and ongoing cost efficiency measures, which will help counterbalance revenue headwinds from intensifying competition in the banking sector and efforts by the authorities to reduce the cost of banking services. Gradually rising interest rates and moderate inflation will also support banks' profitability. Growing domestic deposits will provide ample funding and liquidity will stay robust.

Detailed credit considerations

Solid loan quality and contained single-borrower concentrations; large exposure to Israel's property market and geopolitical tensions are tail risks

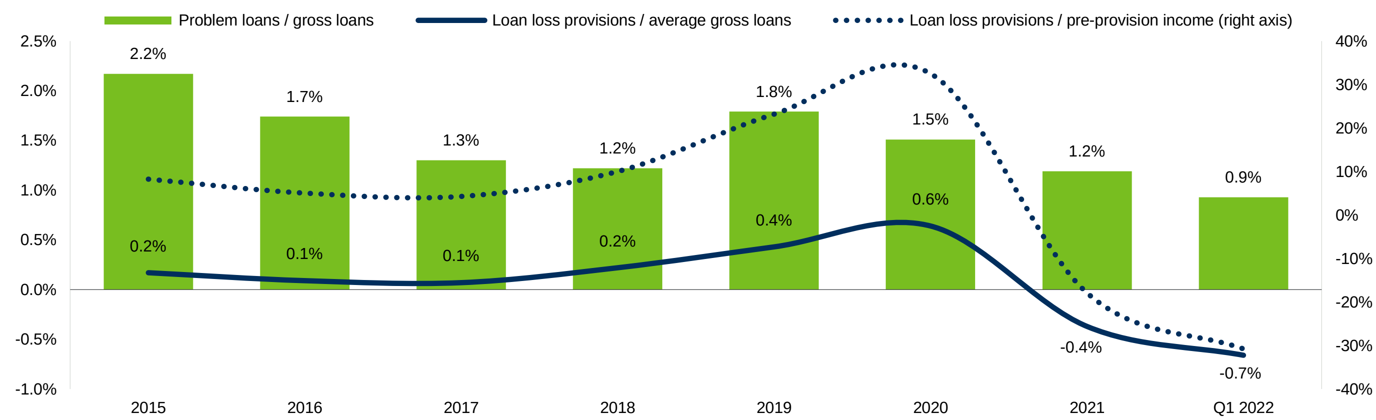
Bank Hapoalim's Asset Risk reflects its solid loan quality, including a low level of problem loans that will be sustained by Israel's strong economic fundamentals, despite higher inflation and tightening monetary policy, and contained credit losses in the last decade. Our assessment also reflects limited single-borrower concentrations and relatively conservative underwriting. However, a significant and growing exposure to Israel's real estate market through lending along with high and rising property prices and potential geopolitical tensions are downside risks for the bank's asset quality. There is also some unseasoned risk in the bank's portfolio following a 20% growth in gross loans between the end of 2020 and March 2022.

Bank Hapoalim's problem loans (defined as non-accruing loans and accruing loans that are more than 90 days overdue) to gross loans declined to 0.9% as of March 2022 from 1.2% as of the end of 2021 and 1.5% as of end 2020 (see Exhibit 3), reflecting limited new problem loan formation and strong lending growth. We expect the bank's asset quality to remain strong, supported by Israel's robust economic growth and a tight labour market. Borrowers' servicing ability will also be broadly sustained given higher but contained inflationary pressures compared to other developed countries despite gradual monetary tightening over the coming year.

Exhibit 3

Bank Hapoalim's asset quality is strong and the problem loans ratio is lower than pre-pandemic level

Evolution of problem loans ratio and credit costs



Source: Moody's Investors Service

We expect Bank Hapoalim's credit costs (loan loss provision expenses to average gross loans) to increase in the coming quarters after provision charge-backs in 2021 and in the first three months of 2022, equivalent to 0.4% and 0.7% of average gross loans respectively. These will however remain contained and below the historical average of 0.4%[1], which includes an entire economic cycle.

Furthermore, the initial application of the US Current Expected Credit Loss (CECL) standard from 1 January 2022 has not led to significant additional impairments on implementation, and we do not expect it to lead to higher ongoing provisions, given the significant general provisions required for housing loans under the previous standard[2].

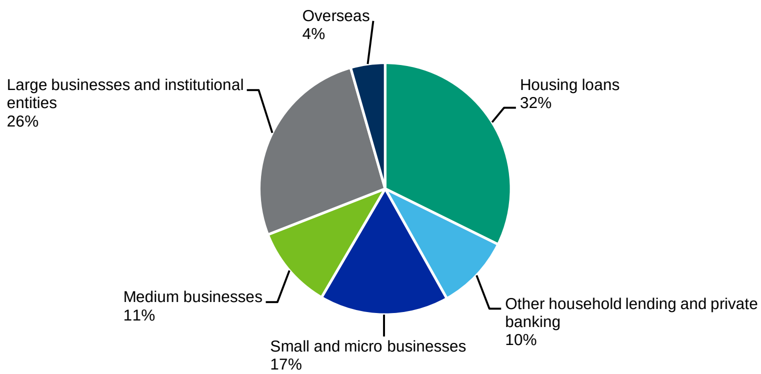
Benefiting asset risk, Bank Hapoalim has lower borrower concentration levels, which was an issue in the past. The bank had one exposure slightly exceeding 15% of its capital as of March 2022 (16.3% of regulatory capital) and its aggregate exposure (on and off-balance sheet) to 22 borrowers whose individual exposure exceeded NIS1.2 billion as of March 2022 accounted for 7.6% of total credit risk to the public or about 95% of TCE.

Residential mortgages accounted for 32% of total loans, while medium and large businesses (including institutional entities) for 37% as of March 2022 (see Exhibit 4). The bank's exposure to small businesses (regulatory definition[3]) and other retail and consumer loans in Israel were 17% and 10% of total gross loans respectively as of March 2022. The bank had been deleveraging from these two segments in recent years in view of their higher risk and resumed a cautious growth in the portfolio in recent quarters. Charge-offs for consumer loans are considerably lower than in the past, indicating stricter underwriting.

Exhibit 4

Bank Hapoalim's loan book is diversified by segment

Loan book breakdown as of March 2022 (supervisory operating segments)



Source: Bank's financial results

However, Bank Hapoalim's asset quality is susceptible to developments in the Israeli property market because of the significant and growing exposure to both residential mortgages and to the construction and real estate sector, which made up a further 20% of total lending as of March 2022.

House prices in Israel are rising at a high rate, although a structurally limited supply of new housing units provides price support and limits the risk of a potential price correction. Banks are also exposed to potentially higher risk in the mortgage book from a jump in interest rates and a rise in unemployment, although this is not our central expectation. For housing loans, risks are mitigated by the low overall level of household debt in the economy, macroprudential measures, which enforce tight underwriting standards and high capital buffers against mortgages.[4]

We see higher risk in lending to the construction and real estate sector and the bank's exposure grew by a high 29% year-over-year as of March 2022 because of strong demand. Because of the significant lending growth in these sectors, the BoI requested banks to increase their monitoring of borrowers, and Bank Hapoalim increased its collective allowance coefficient for the sector in 2021 in light of the significant growth in the portfolio and some relaxation in credit terms. The BoI has also requested additional capital in the form of higher risk-weighting (150% risk-weight compared to the current 100%) for new and outstanding loans for land acquisition[5] with a loan-to-value exceeding 80%. This will increase Bank Hapoalim's risk-weighted assets. The BoI will allow banks to spread the impact of the regulation on regulatory capital over four quarters, beginning with the third quarter of 2022.

Most of the bank's real estate exposure involves the funding of closed residential construction projects[6] where risk is mitigated by close oversight and more conservative underwriting criteria[7]. Residential projects made of 45% of total credit risk[8] in the sector as of March 2022, whereas income generating properties were 21% of credit risk. Underwriting criteria are relatively conservative, with less than 2.5% of credit involving completed properties and land having a financing rate exceeding 85%, while less than 1.5% of credit involving real estate under construction has an absorption capacity[9] of less than 25%.

Similarly to other Israeli banks, Bank Hapoalim's asset quality is also vulnerable to persistent geopolitical tensions that could compromise business confidence and overall economic activity.

Adequate risk-weighted capitalisation, although below global peers, but with a stronger leverage ratio

We consider Bank Hapoalim's capitalisation to be adequate. Although risk-weighted capital metrics are below global peers, the bank's loss-absorption buffers are supported by conservative regulatory risk-weights, especially on mortgage lending, that drive stronger leverage. The bank's capital ratios are also significantly more stable compared to banks globally that use a model based approach in calculating credit RWAs. Over the coming 12-18 months, we expect the bank's capital ratios to remain broadly stable following the gradual resumption of profit distribution. Stable capitalisation will continue to be driven by sufficient internal capital generation against lending growth.

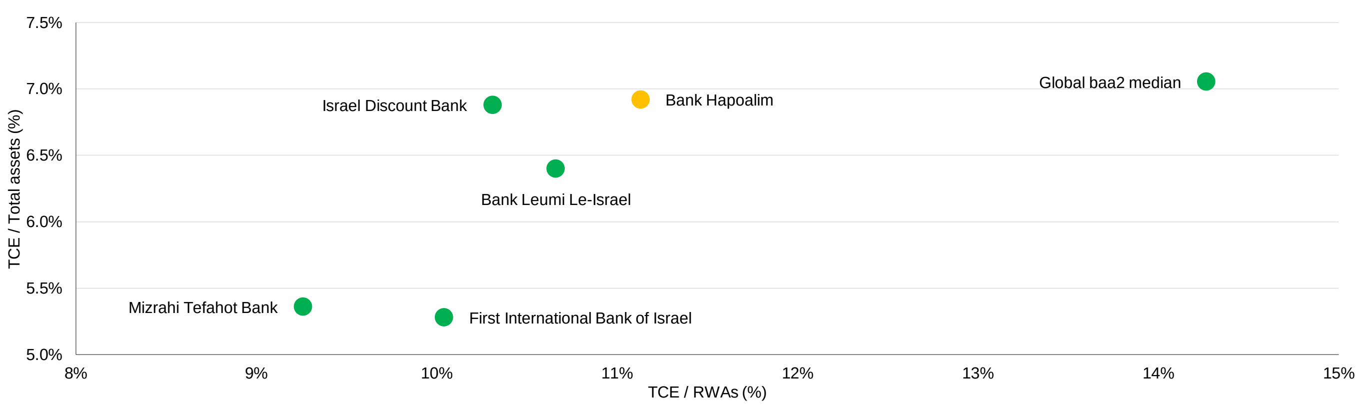
Bank Hapoalim's TCE/RWAs ratio was 11.1% as of March 2022, below the median level of similarly-rated international peers (see Exhibit 5). However, the BoI maintains a conservative approach to risk-weighting that results in higher loss-absorption buffers than capital ratios show. Israeli banks use the standardised approach to risk-weighting. Mortgages are further risk-weighted according to their loan-to-value, resulting in an average risk weight of over 50% in Israel. This effective mortgage loan risk weight is significantly higher than the risk weights applied by banks in other developed countries that use the internal ratings-based approach and even the 35% risk weight normally used in the standardised approach.

The bank's TCE-to-total assets ratio was 6.9% as of March 2022, comparing more favorably with international peers. The Basel leverage ratio declined to 6.1% as of March 2022, from 7.6% as of the end of 2019, reflecting large deposit inflows driving growth in cash and placements at the central bank since 2020 and more recently the large credit activity, above the 5.5% minimum regulatory requirement that applied at that time[10].

Exhibit 5

Bank Hapoalim's risk-weighted capitalisation is lower than global peers, but leverage is in line with peers driven by conservative risk weights

Risk-weighted capitalisation and leverage of Israeli banks and the global median as of March 2022



Source: Moody's Investors Service

Bank Hapoalim reported a Common Equity Tier 1 (CET1) ratio of 11.2% as of March 2022, exceeding the 10.2% minimum regulatory requirement and the bank's own internal target of 10.5%. Bank Hapoalim refrained from dividend distributions in Q1 2022 and Q4 2021 in light of rising macroeconomic uncertainty, to sustain strong business growth and to mitigate the impact on capital from rising bond yields. The increase in long-term yields in both shekel and dollars reduced the book value of the bank's available-for-sale bond portfolio and therefore its regulatory capital during Q1 2022[11]. In the end of the first quarter, the bank transferred some of its government bonds from available-for-sale to the held-to-maturity portfolio in order to reduce volatility in capital levels. Earnings retention, together with RWA management, have allowed Bank Hapoalim to slightly improve its capital levels, and therefore continue to benefit from loan growth.

We expect broadly stable capital levels going forward, with a resumption in profit distributions offset by a moderation in loan growth. Under the bank's dividend policy, Bank Hapoalim may distribute up to 40% of net profits in each quarter.

Profitability is moderate, but supported by continued revenue growth and cost control focus

Bank Hapoalim's ongoing profitability is moderate, helped by its strong franchise and large customer base in Israel, and the country's robust economic growth potential and population growth that afford new business opportunities. These factors drive strong revenue growth, which coupled with ongoing cost discipline, support sustainable profitability and the bank's ability to resist growing competition and income headwinds.

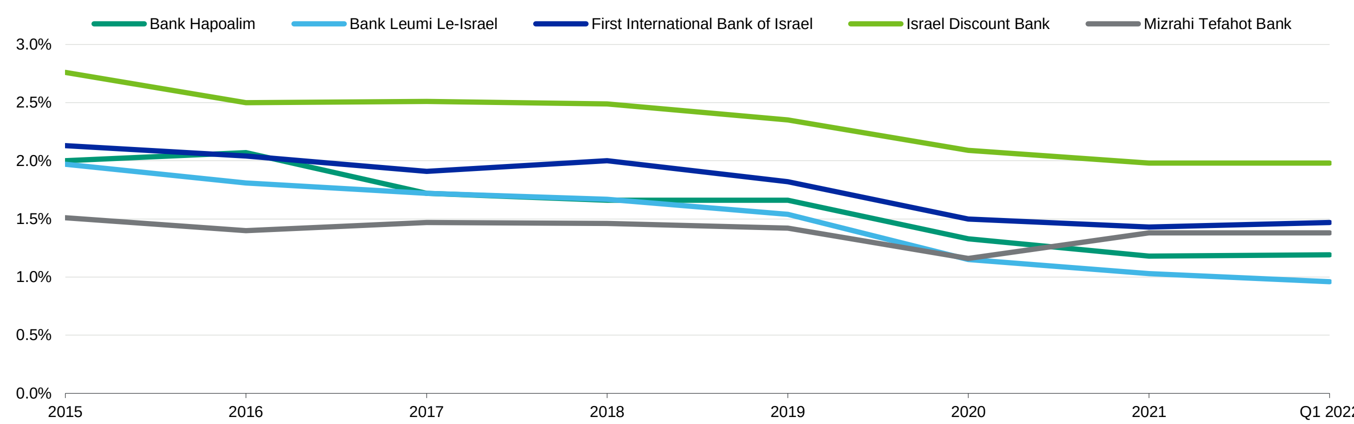
Bank Hapoalim reported net profits equivalent to 1.1% of tangible assets in the first quarter of 2022, well above historical levels and up from 0.8% in 2021 and 0.4% in 2020. Higher profits were driven by significant loan loss provisioning reversals, as mentioned earlier, and strong revenue growth owing to loan growth and higher CPI benefiting returns from the bank's net long CPI position (deriving mainly from CPI-linked mortgages).

Over the coming 12-18 months we expect profitability to normalise with a net income to tangible assets of around 0.7%. Loan growth will moderate but remain strong, given strong demand for housing, and provision expenses will increase but remain contained supporting bottom-line profitability.

Higher interest rates will also support wider net interest margins, further boosting profitability, with Bank Hapoalim indicating that its net interest income would potentially gain NIS1.6 billion (around $460 million) based on a 1% parallel increase in interest rates[12]. Bank Hapoalim is well positioned against shifts in the interest rate environment, given that higher interest rates will allow the bank to unlock value from its large low-cost core deposit base, with non-interest bearing deposits accounting for 47% of total deposits as of March 2022.

The bank's ongoing cost reduction efforts will also continue to support profitability. The bank has operated several voluntary retirement schemes, which reduced its workforce by 15% during the period 2015-2019. Despite the need to recruit specialised personnel, for example to advance the bank's IT initiatives, headcount reduction continued, with a further 6% reduction in 2019-2021. The bank is also looking to further streamline its branch network, which shrunk by 19% during 2019-2021, and to consolidate its headquarters. As a result of these initiatives, Bank Hapoalim's efficiency improved, with operating costs declining to 1.2% of total assets in the first three months of 2022, compared to over 2.0% before 2017 (see Exhibit 6), while its reported cost-to-income ratio of 50.9% in the first three months of 2022 was the lowest ever reported.

Exhibit 6
Bank Hapoalim's is reducing its relative cost base
Operating expenses / total assets



Moody's adjusted figures. Figures also exclude provisions related to US investigations into tax evasion schemes and other litigation costs. Prior years' restatements due to classification of the credit card company as a discontinued operation are not reflected in operating expenses.
Source: Moody's Investors Service

Over the longer term, competition by providers of financial services in Israel will likely intensify as Israeli authorities continue to implement measures to promote competition and lower the cost of banking services for households and small businesses. This year the BoI removed restrictions from the license of a newly established digital-only bank and the first new bank to be licensed in Israel in over four decades after it completed its pilot launch last year, and a new system facilitating fast and zero-cost switching between banks was launched in September 2021.

As part of its strategy and with the aim of resisting these competitive pressures and revenue headwinds, Bank Hapoalim is investing in the modernisation of its core IT systems and its digital offerings to improve time-to-market and reduce IT costs. The bank also works towards the creation of new revenue sources, for example by increasing the contribution of Poalim Equity, the bank's non-financial investments arm which also offers advisory services, to the bank's profitability, and monetisation of its payment application Bit, which currently has 2.7 million active users.

Strong retail deposit-based funding structure and sound liquidity

Bank Hapoalim benefits from a strong funding profile driven by a large and stable deposit base in Israel. Customer deposits were equivalent to 82% of total assets as of March 2022. The bank's large and growing deposit base comfortably funds its lending activities, supported by the country's strong savings culture. Bank Hapoalim's net-loans-to-deposits ratio was 70% as of March 2022, improved from 81% as of the end of 2019 because of large deposit inflows over the past two years.

Granular household (excluding private banking) and small business deposits accounted for 49% of total deposits as of March 2022. Potentially less stable deposits from institutional investors were 17% of total deposits as of the same date, but foreign deposits were contained at 4% of the total. Generally, both domestic and foreign deposits had remained broadly stable during past systemic shocks in Israel.

Ample deposits drive a low reliance on market funding, with market funds accounting for 7.5% of tangible banking assets as of March 2022, part of which reflects senior issuances[13]. The bank had around NIS27 billion (4% of total assets) of bonds and subordinated notes outstanding as of March 2022. These balances were mainly sourced from the local capital market and allow for better matching of the bank's assets and liabilities maturities.

The bank also maintains sound liquidity, underscored by a conservative investment policy. Liquid banking assets were 38% of tangible banking assets as of March 2022, increasing from 31% at the end of 2019 following the large deposit inflows over the past two years. Bank Hapoalim kept 28% of assets in the form of cash and deposits with banks, and an additional 11% in securities. Bank Hapoalim's securities portfolio primarily consists of investments in Israeli government bonds (59% of total) and, to a lesser extent, US government bonds (25% of total), while only 6% of the securities portfolio were investments in shares. The bank's liquidity coverage ratio was 123% and its net stable funding ratio was 134% as of March 2022, both well above the 100% minimum regulatory requirement.

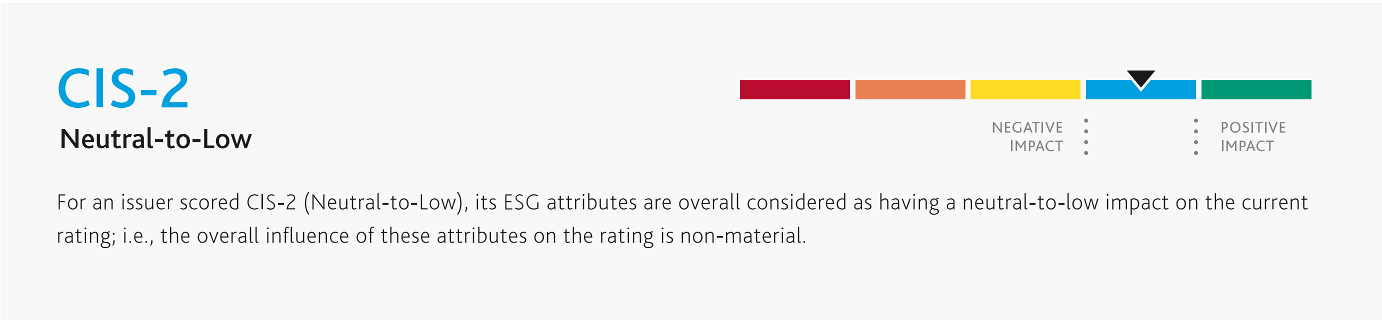
Source of facts and figures cited in this report

Unless noted otherwise, we have sourced data relating to systemwide trends and market shares from the central bank. Bank-specific figures originate from the banks' reports and are based on our own chart of accounts and may be adjusted for analytical purposes. Please refer to Financial Statement Adjustments in the Analysis of Financial Institutions published on 9 August 2018. We do not use the Bank of Israel's exchange rates in converting figures from Israeli shekel into US dollars, so US dollar figures may differ from bank reported figures.

ESG considerations

BANK HAPOALIM B.M.'s ESG Credit Impact Score is Neutral-to-Low CIS-2

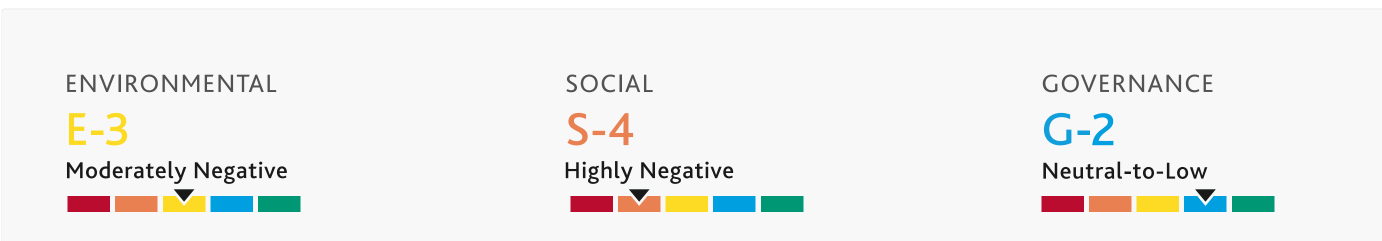
Exhibit 7
ESG Credit Impact Score



Source: Moody's Investors Service

Bank Hapoalim's ESG Credit Impact Score is neutral-to-low (**CIS-2**). This reflects the limited credit impact from environmental and social risk factors on the ratings to date, as well as, neutral-to-low governance risks.

Exhibit 8
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

Bank Hapoalim faces moderate exposure to environmental risks, mainly because of its portfolio exposure to carbon transition risks as a diversified bank and one of Israel's two largest banks with a significant corporate exposure. In line with its peers, Bank Hapoalim faces growing business risks and stakeholder pressure to meet broader carbon transition goals. Bank Hapoalim is engaging in further developing its climate risk and relevant portfolio management capabilities and increasing its green financing.

Social

Bank Hapoalim faces high social risks from customer relations, similarly to banks globally, and there is a growing focus on consumer protection in Israel. High cyber and personal data risks are mitigated by a sound IT framework. A relatively young and growing population in Israel affords business opportunities for the bank. However, the authorities are taking steps to promote competition and to reduce the cost of financial services for households and small business, which will weigh on the bank's profitability. Strict labour laws and strong employee unions in Israel limit staffing flexibility and drive up costs. The bank has reduced employee posts through successive early retirement plans and implements stringent cost control, which has allowed it to mitigate these challenges.

Governance

Bank Hapoalim faces neutral-to-low governance risks, and its risk management, policies and procedures are in line with industry practices and commensurate with its universal banking model, while the bank provides timely and detailed external reporting. The bank's financial strategy is conservative, under the oversight of a proactive and hands-on regulator. While the settlement with the US authorities in the recent past regarding allegations of assisting US clients evade taxes has highlighted past internal control lapses, the bank has taken significant steps to examine its processes and remedial actions to address gaps.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Government support considerations

Bank Hapoalim's A2 deposit ratings incorporate three notches of government support uplift from the bank's baa2 Adjusted BCA because of our assessment of a very high likelihood of extraordinary support from the Israeli authorities. This assumption is based on Bank Hapoalim's systemic importance as one of the country's two largest banking groups and the Israeli government's long standing practice of injecting capital into systemically important banks in case of need.

Counterparty Risk (CR) Assessment

Bank Hapoalim's CR Assessment is A1(cr)/P-1(cr)

Prior to government support, the CR Assessment is positioned one notch above the bank's baa2 Adjusted BCA, reflecting our view that its probability of default is lower than that of deposits. Senior obligations represented by the CR Assessment will be more likely preserved to limit contagion, minimise losses and avoid disruption of critical functions. The CR Assessment also benefits from government support uplift, in line with our support assumptions on deposits.

Counterparty Risk Ratings (CRRs)

Bank Hapoalim's CRR is A1/P-1

For jurisdictions with a non-operational resolution regime, such as Israel, the starting point for the CRR is one notch above the bank's Adjusted BCA. The CRRs also benefit from three notches of government support uplift.

Methodology and scorecard

About Moody's Bank Scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 9

Bank Hapoalim B.M.

Macro Factors		
Weighted Macro Profile	**Strong**	**100%**

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	1.4%	a1	↓	baa2	Sector concentration	Loan growth
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	11.1%	baa2	↓	baa3	Risk-weighted capitalisation	
Profitability						
Net Income / Tangible Assets	0.7%	baa3	↔	baa3	Return on assets	
Combined Solvency Score		baa1		baa3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	6.8%	a1	↔	a2	Deposit quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	40.3%	a1	↓↓	a3	Expected trend	
Combined Liquidity Score		a1		a2		
Financial Profile				baa2		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				A1		
BCA Scorecard-indicated Outcome - Range				baa1 - baa3		
Assigned BCA				baa2		
Affiliate Support notching				0		
Adjusted BCA				baa2		

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	1	0	baa1	3	A1	A1
Counterparty Risk Assessment	1	0	baa1 (cr)	3	A1(cr)	
Deposits	0	0	baa2	3	A2	A2

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

Ratings

Exhibit 10

Category	Moody's Rating
BANK HAPOALIM B.M.	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A1(cr)/P-1(cr)

Source: Moody's Investors Service

Endnotes

1 Average is for the period in the run-up to the pandemic, 2006-2018. Credit costs had increased to 0.6% in 2020 from 0.4% in 2019, which had included an initial assessment of the impact of the pandemic made by the bank in its full-year 2019 financials. More than 80% of the provisions booked in 2020 were collective provisions.

2 The new standard was implemented from 1 January 2022. The cumulative first-day effect of the change, a deduction of NIS364 million net of tax equivalent to 0.1% of risk-weighted assets, in calculating provisions was taken against the balance of retained earnings. However, the impact on supervisory capital can be phased-in over four years. Banks are allowed to add any decrease from the standard's implementation back to Common Equity Tier 1 capital at a rate of 75% on 1 January of the first year of implementation, 50% in the second year and 25% in the third year, with full effect from the fourth year. Under the previous standard, Israeli banks were mandated to maintain minimum general loan-loss provisions equivalent to 0.35% of gross loans for outstanding housing loans.

3 The regulatory definition of small businesses includes those businesses with an annual turnover of up to NIS50 million.

4 The measures include loan-to-value limits of 75% for first-time homeowners and 70% for the rest but for non-investment purposes, a monthly repayment cap at 50% of a borrower's month salary, a limit on the variable-rate part of the mortgage at two-thirds of the loan and a repayment capability test in case interest rates rise by five percentage points. Higher risk-weights for the calculation of regulatory capital metrics for mortgages with higher loan-to-value and repayment ratios also encourage tighter underwriting.

5 The regulation relates to land acquired for the purpose of development of construction. This excludes agricultural land with no planning horizon, or without a request for planning consent; and acquisition of land that is designated for self-use in case of the borrower not being classified in the construction and real estate sector.

6 The closed financing structure mitigates risks because credit is managed in a separate account dedicated to the project that is separate from the rest of the borrower's banking activity and from which the developer cannot withdraw funds without the bank's consent. There is external oversight of construction progress by inspectors approved by the bank, who track the pace of progress on-site and monitor expenditure and income in accordance with the planned budget.

7 According to the BoI, these criteria include minimum levels of equity and pre-sales and the ability of projects to absorb declines in sales prices or rises in the cost of construction without impairing the borrowers' ability to service the debt.

8 After haircuts and deductions.

9 The bank defines absorption capacity of a project as the maximum possible rate of decline in the value of the asset without the bank incurring losses from the project.

10 In November 2020, the authorities lowered the bank's leverage ratio requirement to 5.5%, from 6% previously. This relief has been extended until the end of 2023, and the leverage ratio requirement will return to 6% within two quarters after that date.

11 The unrealised losses on the bank's available-for-sale portfolio in other comprehensive income were partly offset by a reduction in the actuarial liability for employee benefits. This positive effect however, is recognised in regulatory capital with a time lag over a number quarters.

12 Including rate hikes in both Israel and abroad.

13 Market funds exclude subordinated debt, according to our definition.

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