

2022

Annual Financial Review



2022

Dov Kotler, CEO

Opening & strategy



Ram Gev, CFO

Financials



Disclaimer

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

This presentation is not a substitute for the Bank's 2022 Annual 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 - Investor Relations/Financial Information.

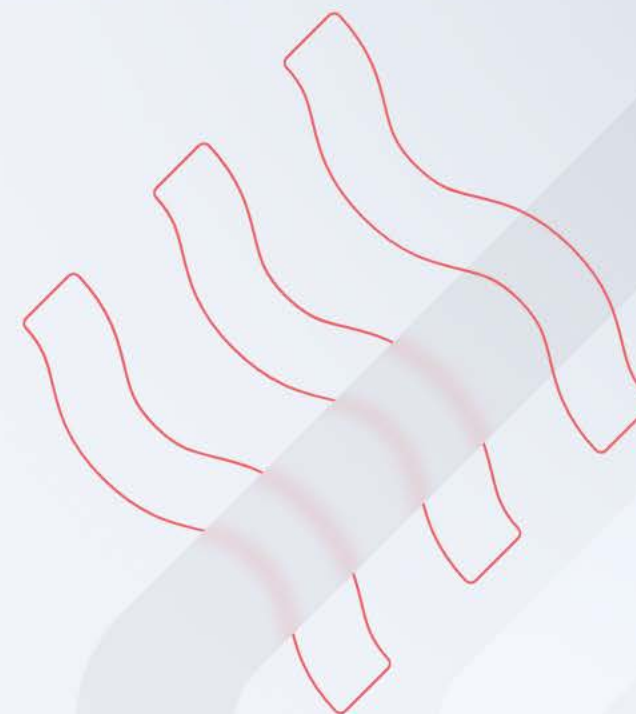
Some of the information in this presentation that does not refer to historical facts constitutes forward-looking information, as defined in the Securities Law.

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.

Data relating to business segments is presented according to "operating segments based on management approach" as disclosed in note 28A in the bank's annual report.

Special items in ROE and net profit refer to provision 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 and related legal proceedings, and the effect of the closure of the Bank's private banking activities overseas.





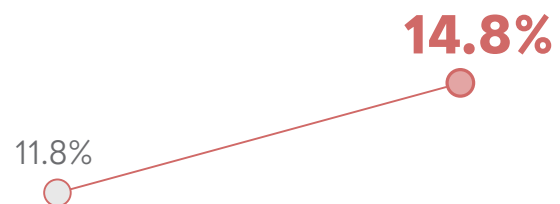
2022 Annual Financial Review

Dov Kotler, CEO

Opening

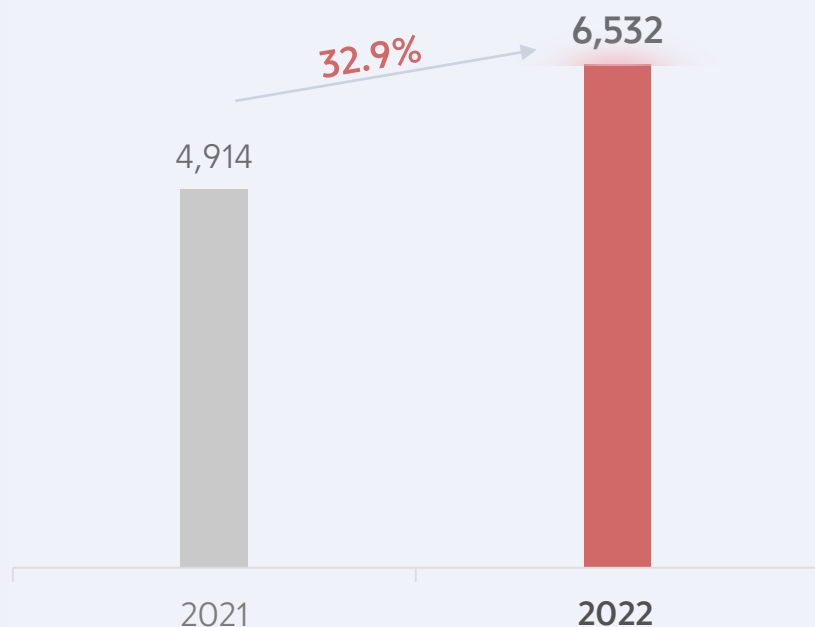
Record full-year profitability in 2022

ROE



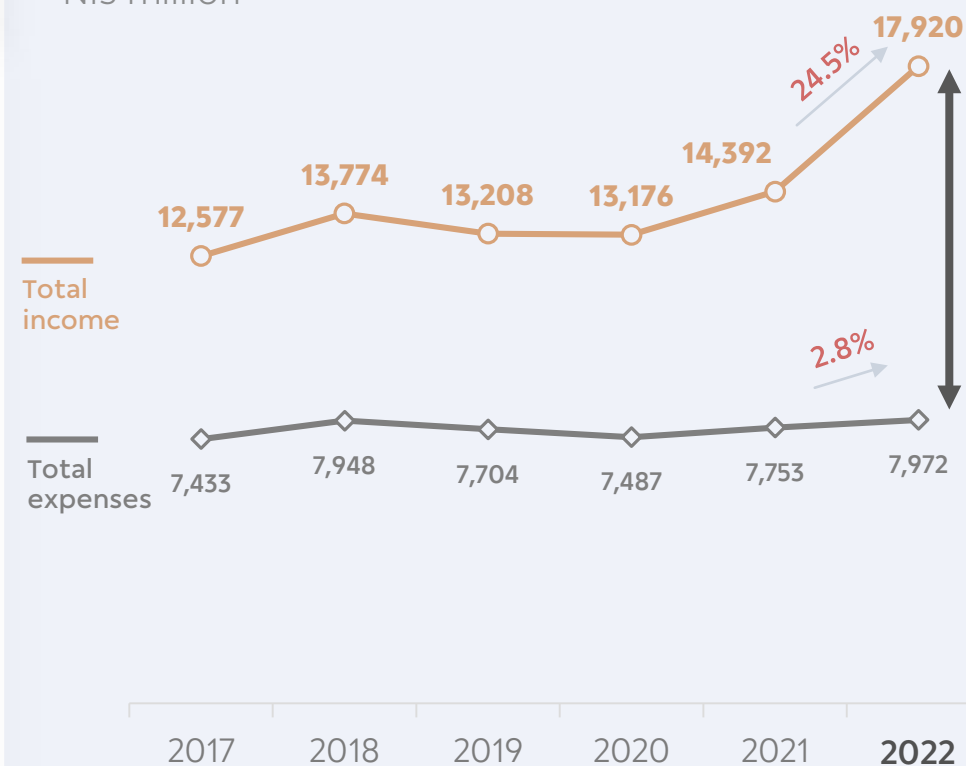
Net profit

NIS million



Substantial positive jaws

Total income vs. total expenses evolution
NIS million



Note: Excluding special items, net profit for 2021 totaled NIS 4,957 million (ROE of 11.9%). In addition, total expenses in previous years are excluding special items.

2022 demonstrates the power and competitive advantages of Bank Hapoalim

1 We led responsible growth: in the initial phases of the shifts in the global economy, we adapted our growth rate in credit to the changing environment

2 The balance-sheet structure we built over the last few years boosted revenues significantly; financing profit and fees increased as a result of business momentum and higher spreads due to rates increase

3 We continued to rigorously manage our resources, attaining excellent efficiency and productivity metrics

4 We maintained the high quality of our credit portfolio; a result of significant optimization measures of recent years

5 We demonstrated advanced capital-management capabilities based on organic capital generation and expertise in RWA efficiency

6 We gained a clear relative advantage in liquidity and profitability, due to the largest retail deposit base in the Israeli banking industry

7 We maximized value for our stakeholders by paying our employees bonuses for their performance and distributing dividends of NIS 1.5 billion to our shareholders in respect of 2022 earnings

8 To retain our advantages and our leadership, we formulated a strategic plan for the coming years focused on core banking



Our competitive advantages will serve us as we head into 2023 and beyond –
we have built a winning core banking business for the long term



2022 Annual Financial Review

Ram Gev, CFO Financials

Execution of our strategy delivered record results

Robust profitability

Driven by income growth, cost discipline, and low credit losses

ROE

14.8%
2022

15.3%
4Q22

Responsible growth

Growth pace adjusted to the changing environment

Credit growth

10.2%
YoY

1.9%
QoQ

Outstanding income growth

Driven by the growth in activity, interest-rate hikes, and higher inflation

Total income

24.5%
YoY

10.1%
QoQ

Continued strong delivery on cost discipline; increase below inflation

Maintaining substantial positive jaws

Cost-income ratio

44.5%
2022

39.1%
4Q22

High quality loan book

Full-year loan loss provisions almost zero; further build of collective allowance reserve in 4Q due to macro uncertainties

NPL and NPL coverage ratios

0.87%
31.12.2022

161%
31.12.2022

Robust capital and liquidity position

Generating capital organically allowing for continued growth and shareholder value

CET-1 ratio, dividend payout ratio, and LCR

11.25%
31.12.2022

30%
of 4Q22 net income

122%
4Q22

Consistently delivering robust performance

ROE

14.8%

15.6%



12.3%



15.9%

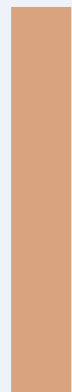
**15.3%**

Net profit

NIS million

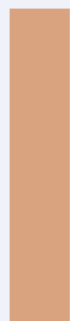
6,532**2022**

1,654



1Q22

1,343

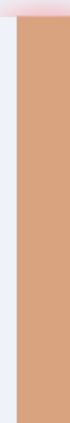


2Q22

1,785



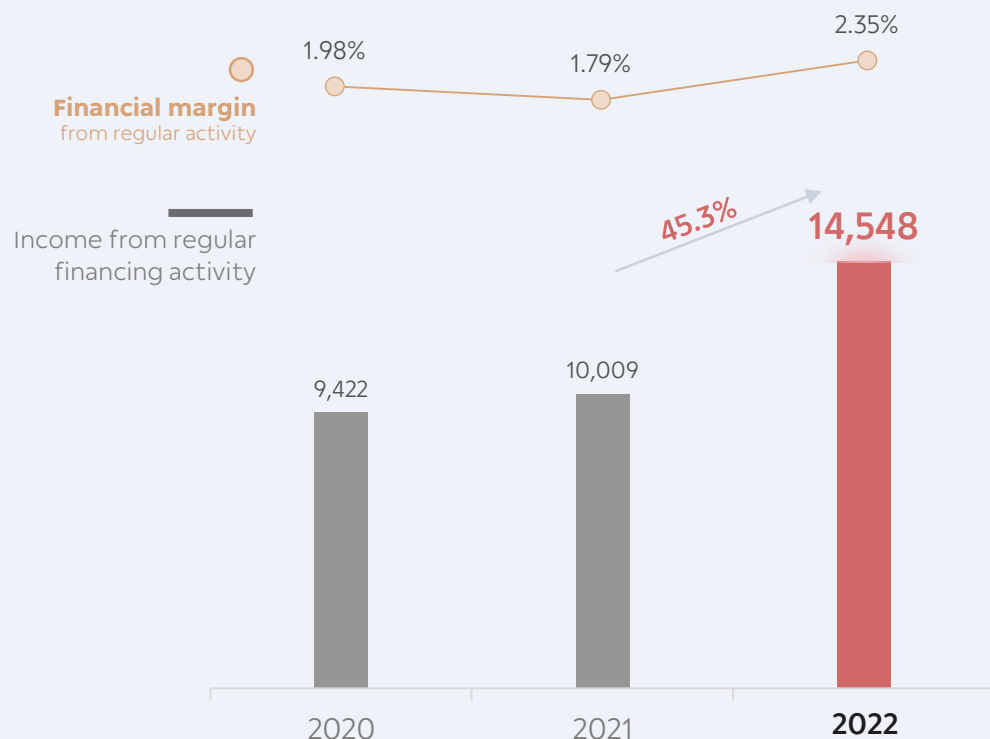
3Q22

1,750**4Q22**

Outstanding core revenues boosted by activity growth and spreads

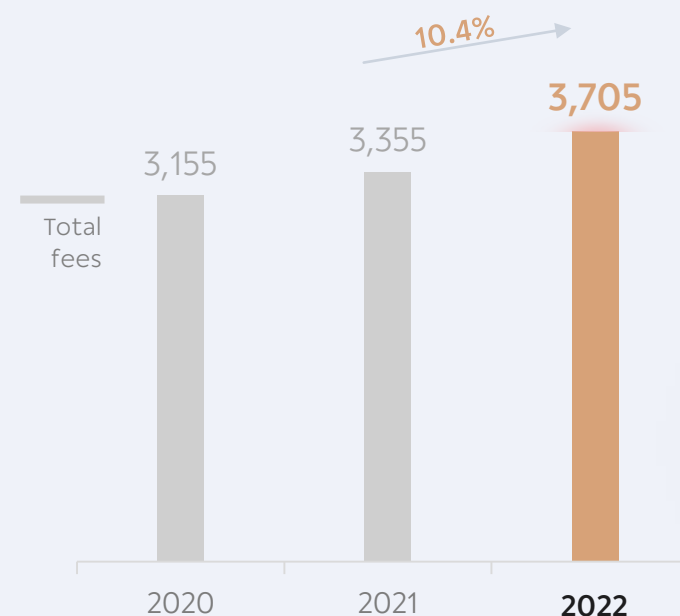
Financing income levered on growth, CPI, and interest-rate hikes

NIS million



Good performance in fees due to activity growth and diversification

NIS million



+145 NIS million

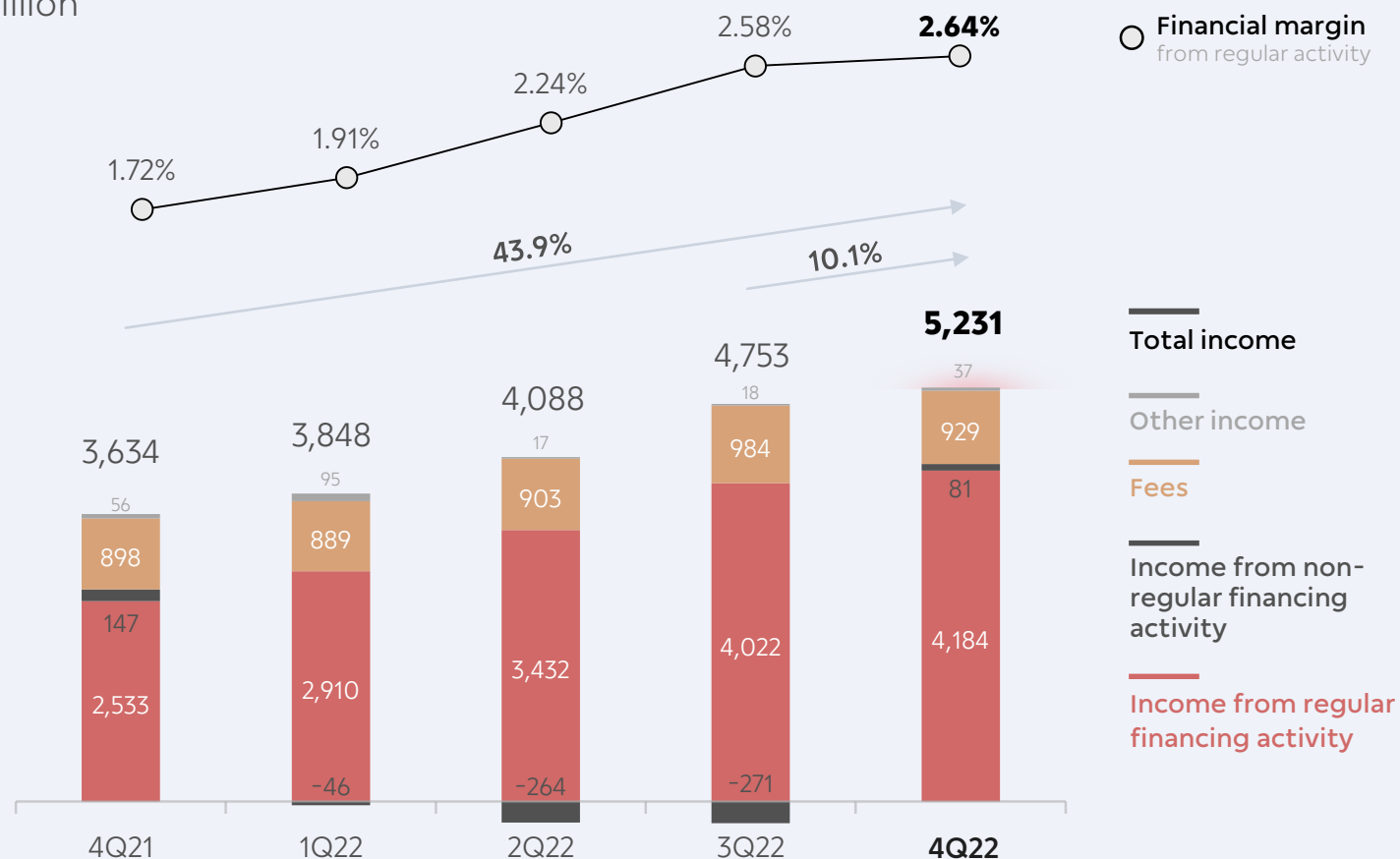
In respect of
2Q+3Q+4Q

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

Revenue growth quarter by quarter

Total income

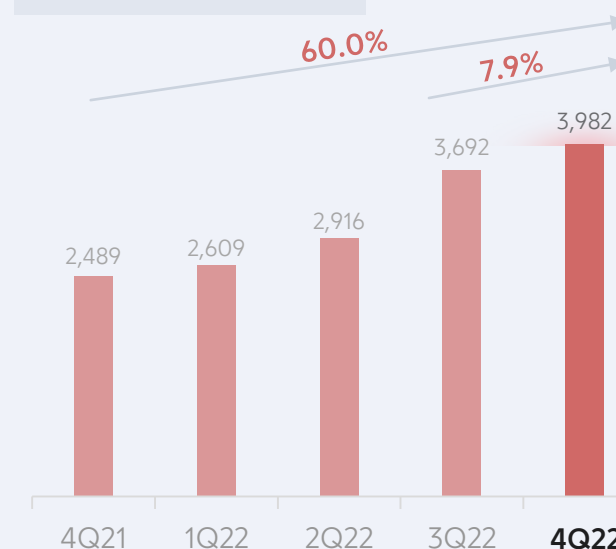
NIS million



Income from regular financing activity excl. CPI

CPI contribution in 2022

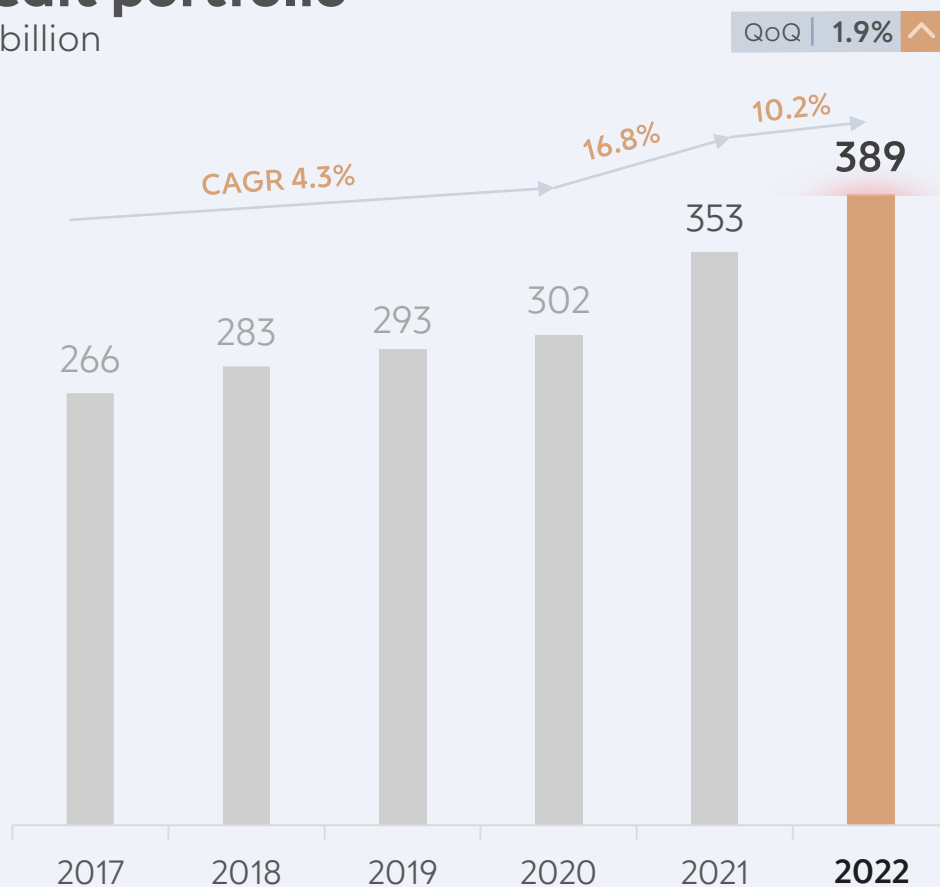
1,349
NIS million



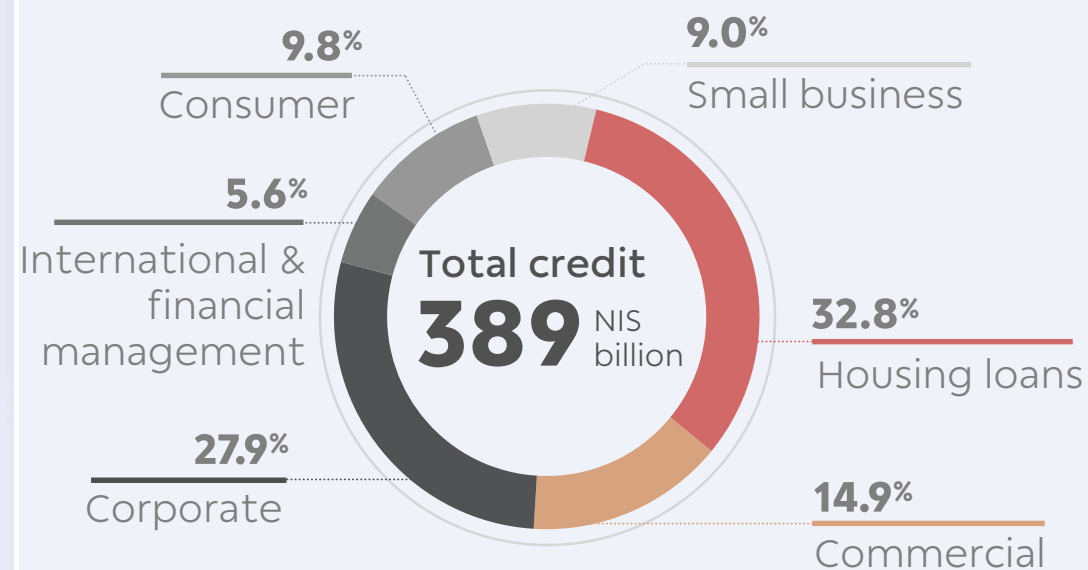
Responsible credit growth; pace aligned to the changing environment

Credit portfolio

NIS billion



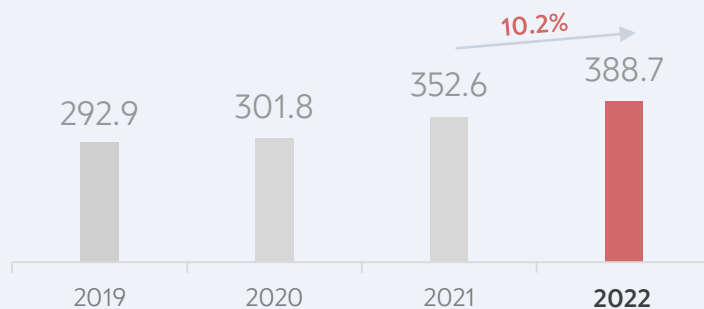
Well-diversified credit portfolio



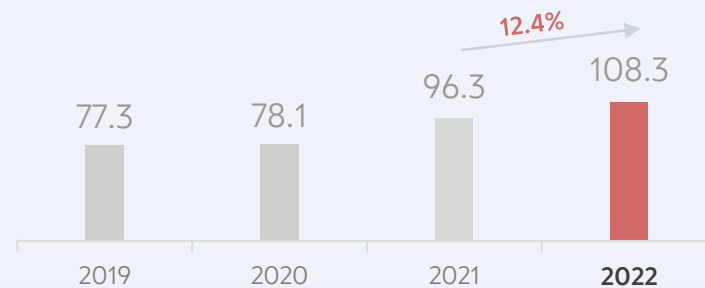
Credit growth is broad-based across segments

NIS billion

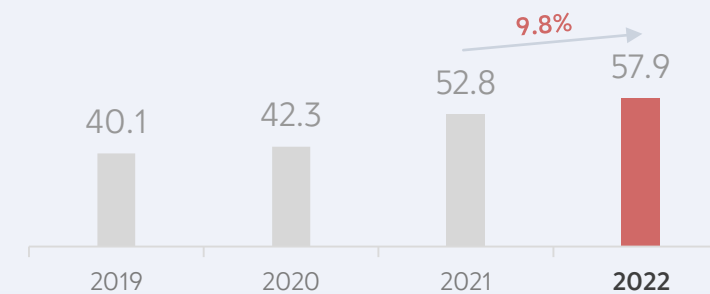
Total credit



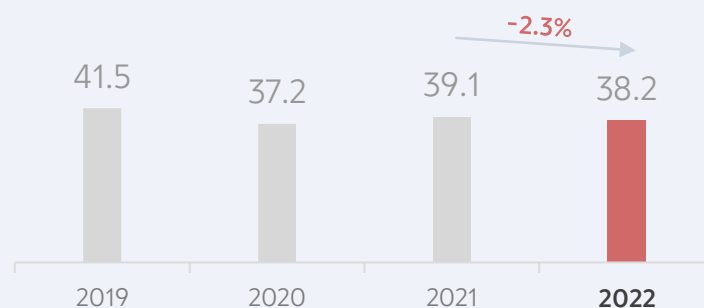
Corporate



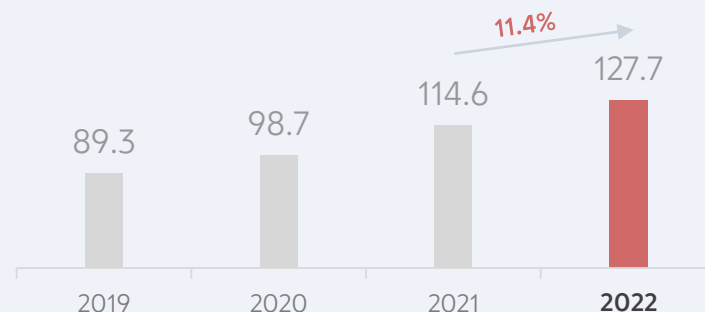
Commercial



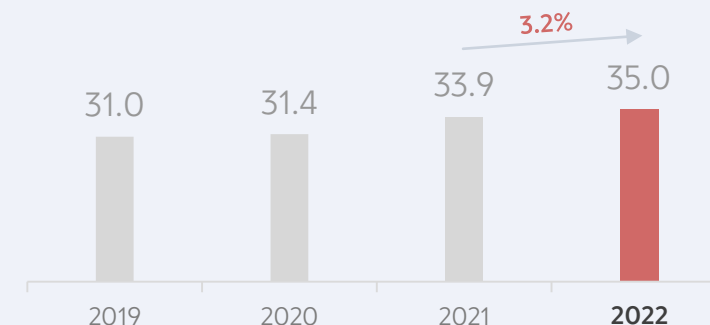
Consumer



Mortgages

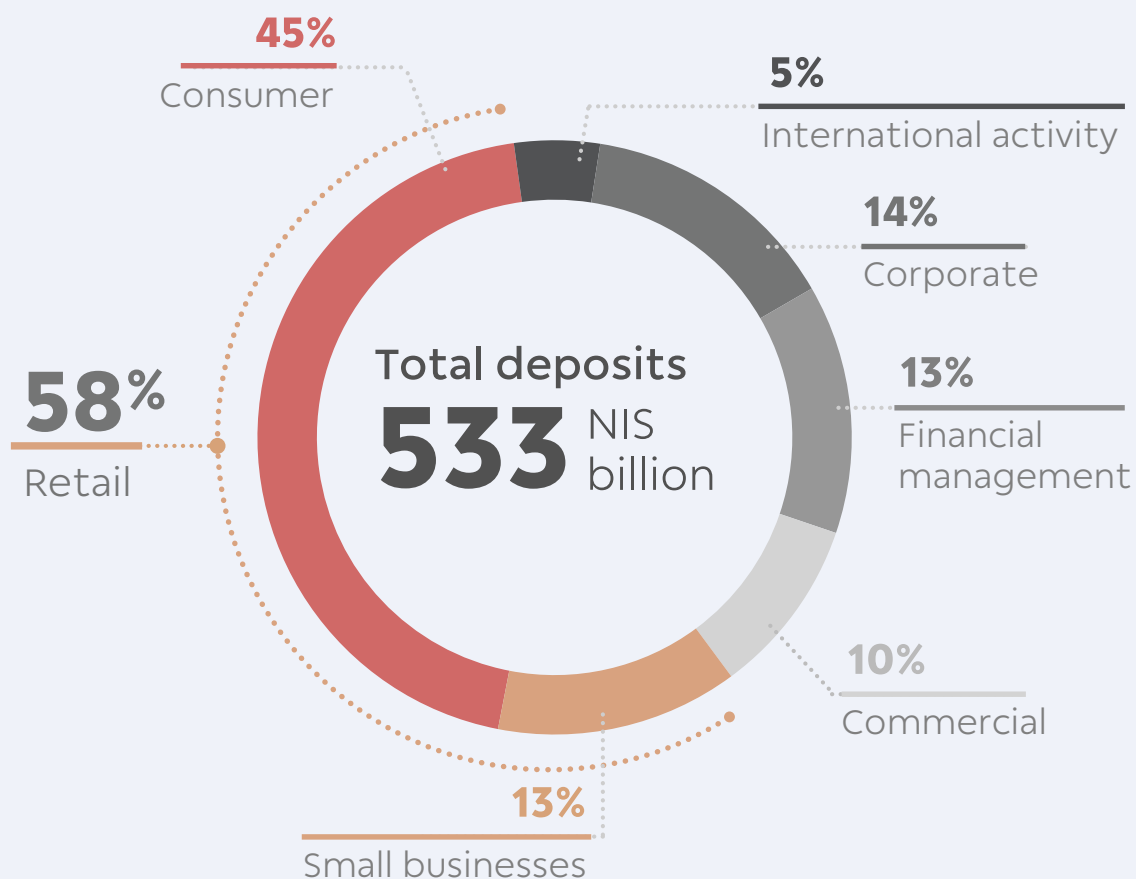


Small business

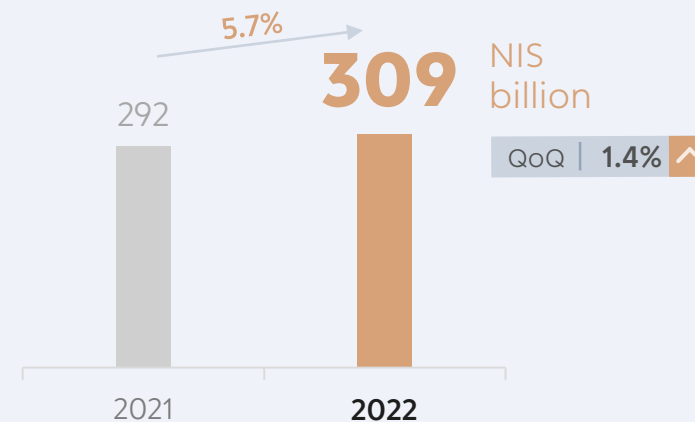


Our largest-in-the-sector retail base provides a competitive advantage

Deposit base



Largest retail deposit base in the sector



LCR
122%

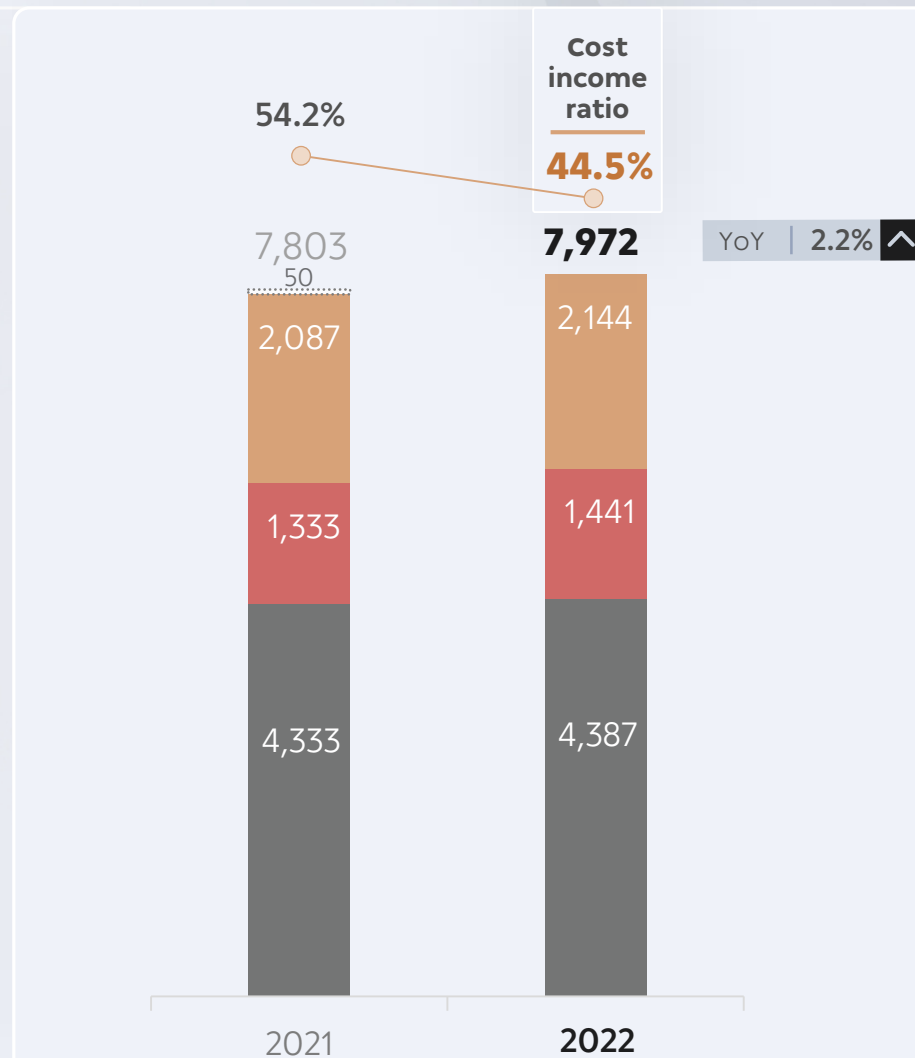
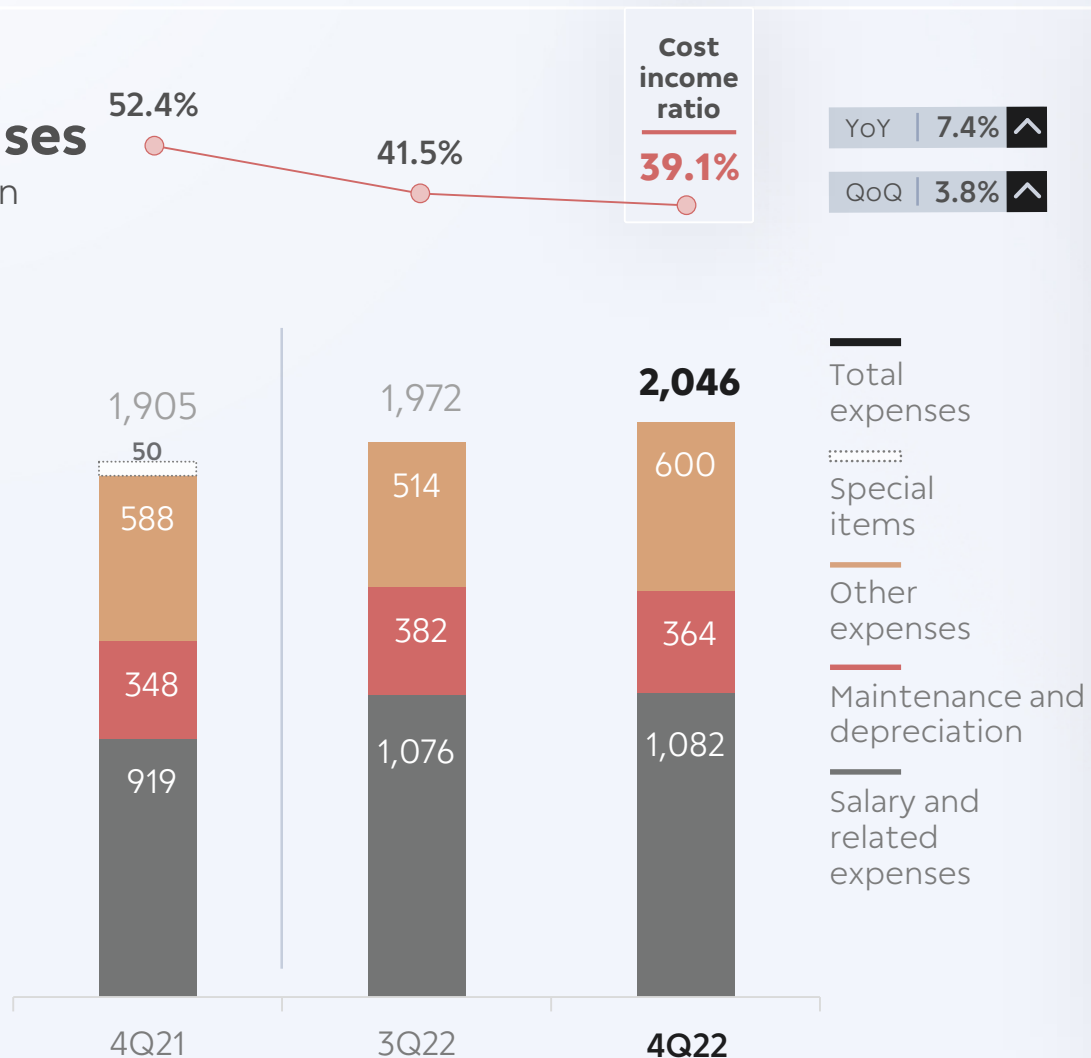
NSFR
130%

Above regulatory requirement of 100%

Continuous cost control leading to strong efficiency ratio

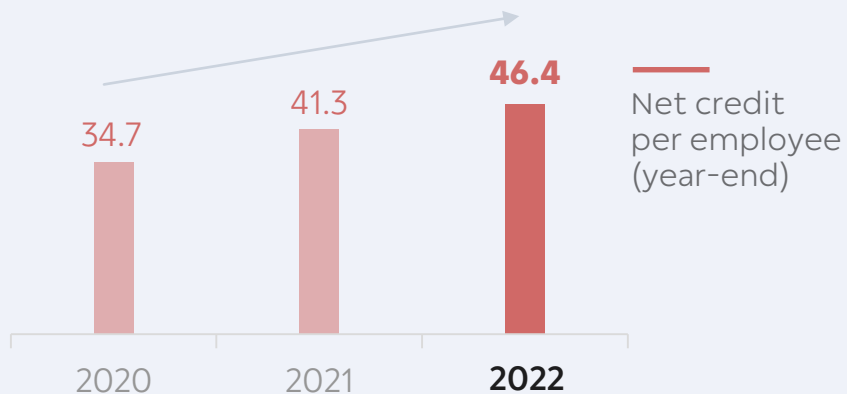
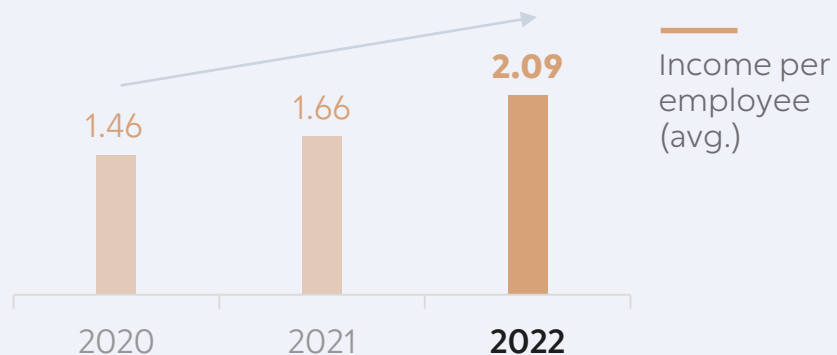
Total expenses

NIS million

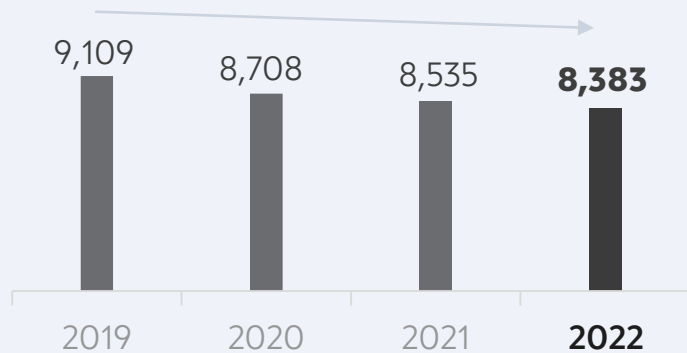


Improved productivity ratios are sustainable drivers for future profitability

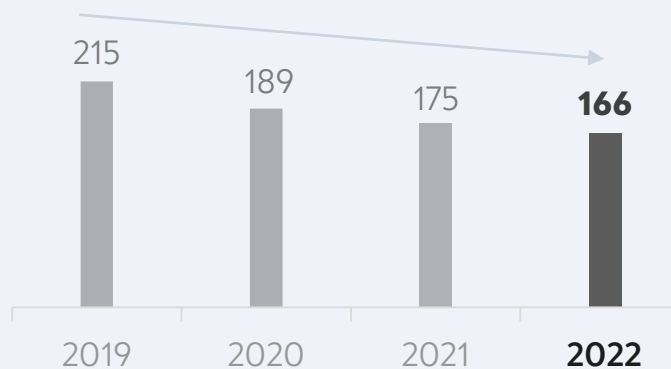
Productivity ratios, NIS million



Headcount, year-end



Branches, year-end



Relocating to the Poalim Center will allow selling current properties



Today, the bank's headquarters are scattered over eight buildings owned by Bank Hapoalim in Tel Aviv; the main site is at 50 Rothschild Blvd. and 63 Yehuda Halevy Street

A betterment plan for the site was deposited with the city of Tel Aviv in July 2022

The plan provides construction rights for a 45-story tower on an area of ~48,000 sq.m.

Mixed-use designation for residential, office, and commercial spaces



Poalim Center



In 2021, the bank decided on centralization of its head-office units in one main tower, and began the construction of Poalim Center in Tel Aviv

A 40-story office tower with area of ~60,000 sq.m.

A central, accessible location near major transportation hub

An innovative, smart, tech-based tower compliant with Leed Gold green building standards

One Bank – full synergy, partnership, and agility

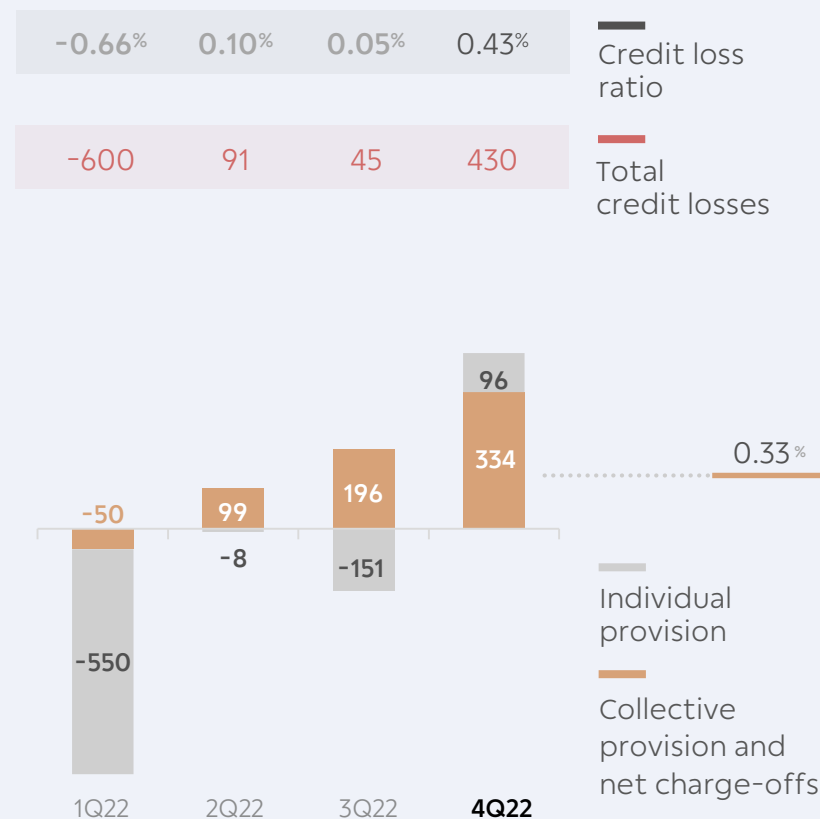
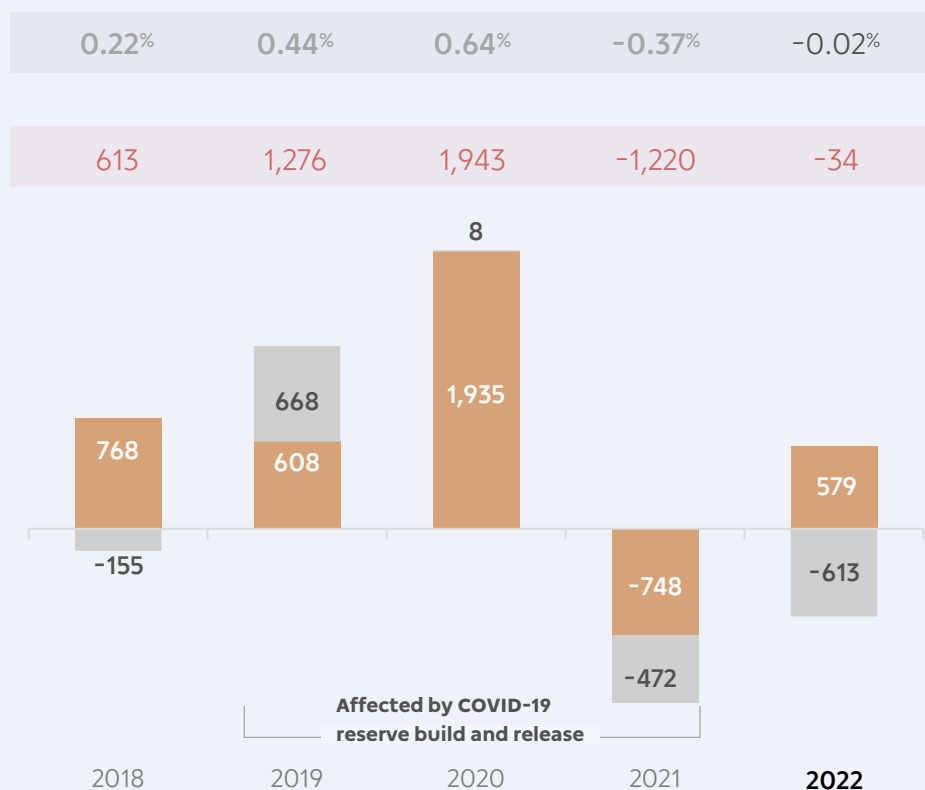
A leap forward in the employee experience

Operational efficiency

Relocation planned for 2026

Collective provision gradually increases to reflect potential macro effects and uncertainties

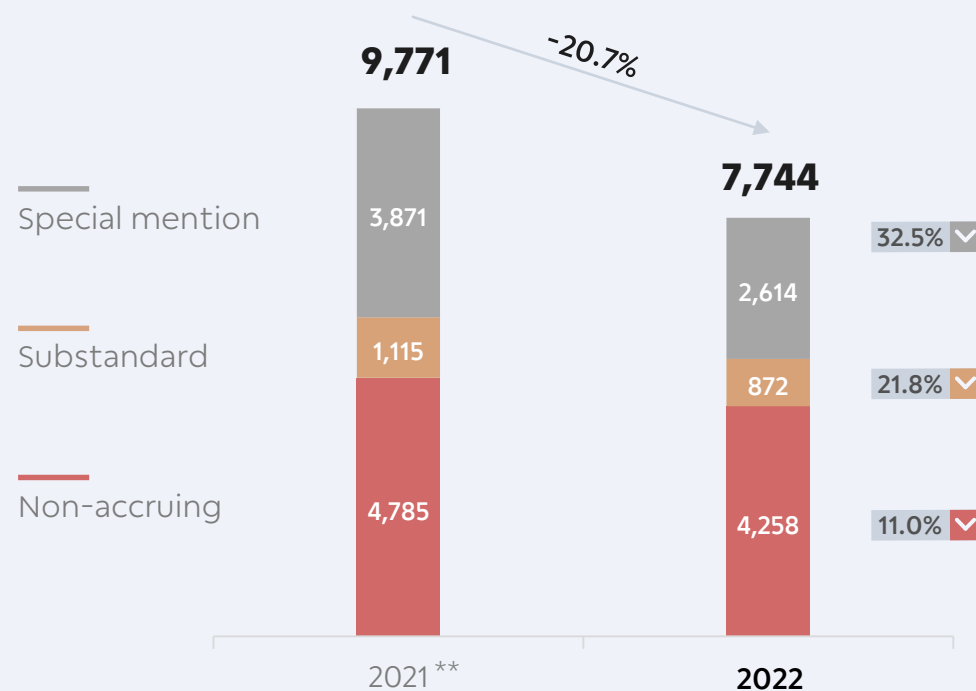
Provision for credit losses NIS million



Resilient asset quality; problematic debt declined and NPL ratios improved, yet allowance for credit losses remained high

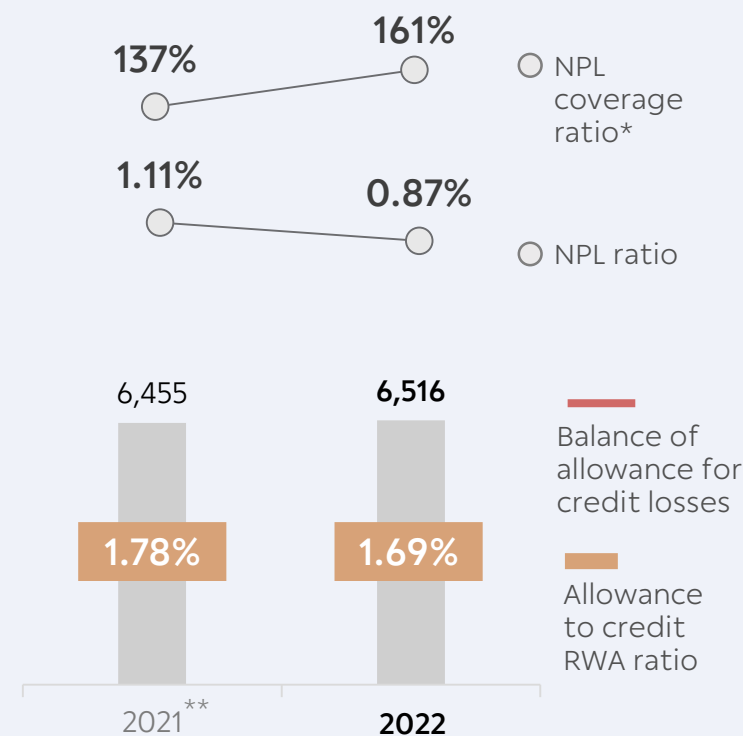
Total problematic debt

NIS million



Allowance and NPL balance & ratios

NIS million

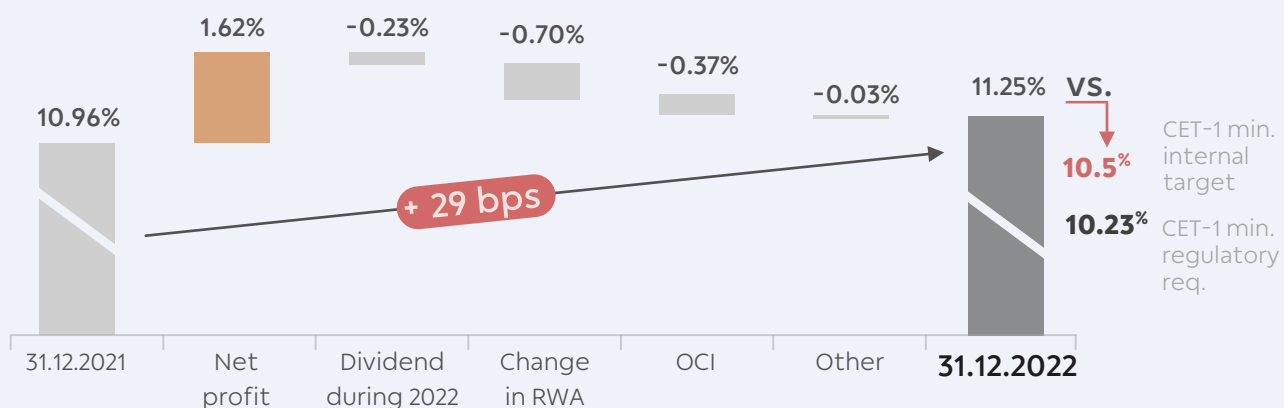


* Balance sheet allowance for credit losses to NPL.

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

Tight management of capital and RWA optimization allows for growth and dividend distribution while maintaining sufficient buffer

CET-1 capital ratio development



30% dividend

in respect of 4Q22 profits

525 NIS million

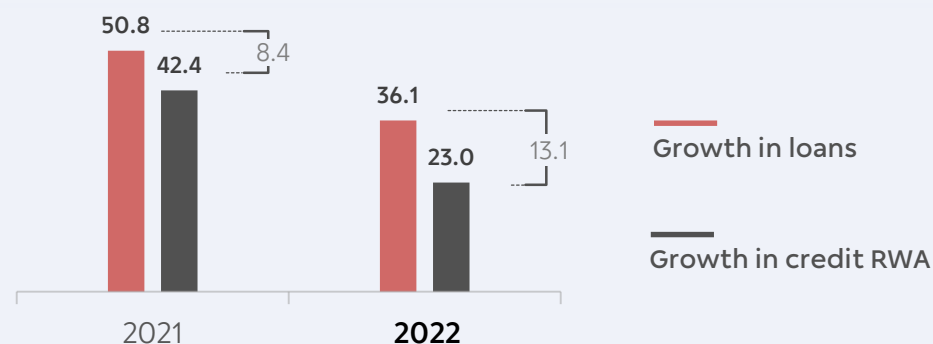
Dividend distributed

in respect of 2022 profits

1.5 NIS billion

RWA mitigation

NIS billion



Total capital ratio

14.70%

vs. min. regulatory req. of 13.5%

Leverage ratio

6.34%





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 24 in the 2022 annual report.

Bit – a one-of-its-kind strategic asset in the Israeli market

Current offering

- 
P2P transactions
 Most popular app in Israel
- 
Claims disbursements
 Working with almost all insurance companies and pension funds
- 
Bill payments
 - Water bill
 - Municipal tax
 - Toll road
- 
P2M (online payments)
 Working with:
 - Over 20k merchants
 - Leading PSPs (payment service providers) in Israel

Bit's potential



Future transition to A2A
(promoted by Bol)



Transition to clearing using Moneysend and Visa Direct

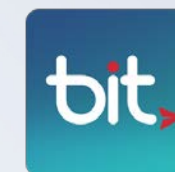


Loyalty club*



Expansion of product offering

The existing and developing capabilities of Bit are a strong foundation for future advanced banking value proposition for customers

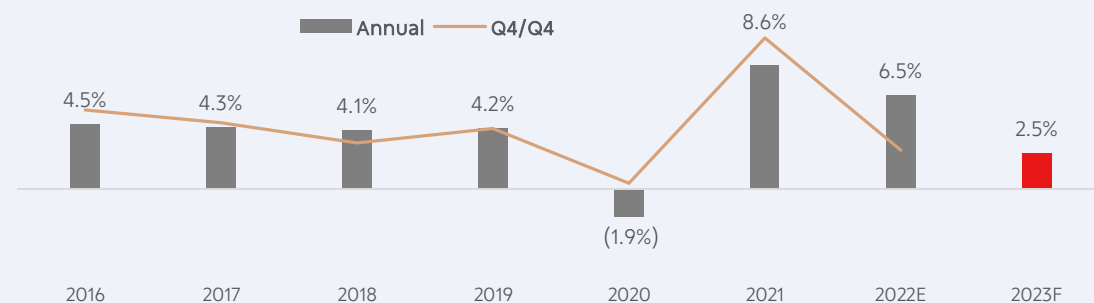


3 million
Active users

Early signs of slowdown, markets expect further rate hikes as inflation appears to be sticky

From post-Covid rebound to more sustainable growth

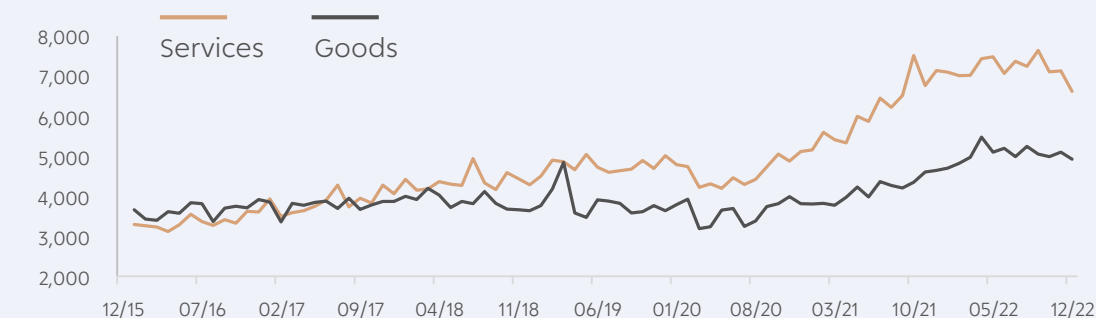
Real GDP growth



Source: CBS

Exports are softening

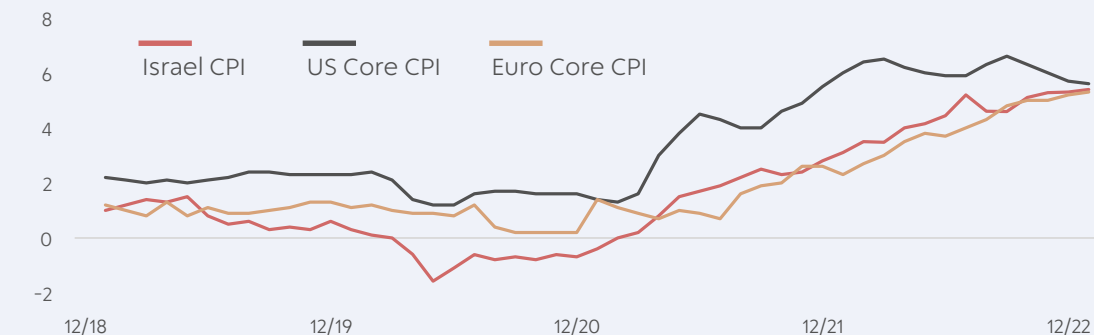
Exports of goods and services



Source: CBS

Inflation turns out to be more sticky than previously assumed

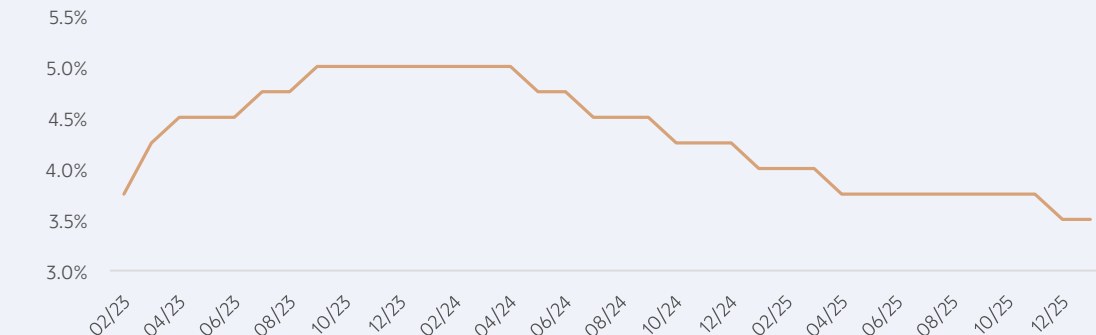
CPI, year-on-year rate of change



Source: Bloomberg

Markets expect further rate hikes

Implied Bol rate

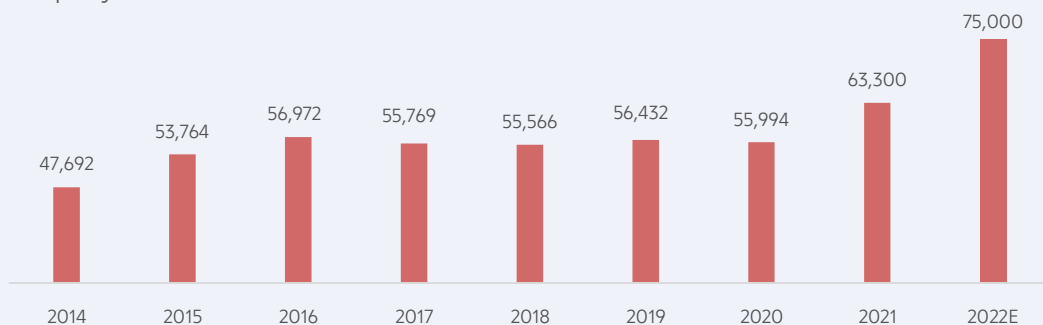


Source: Bloomberg

Housing market: affordability challenged by high rates, homebuyers wait on the sideline

Housing starts

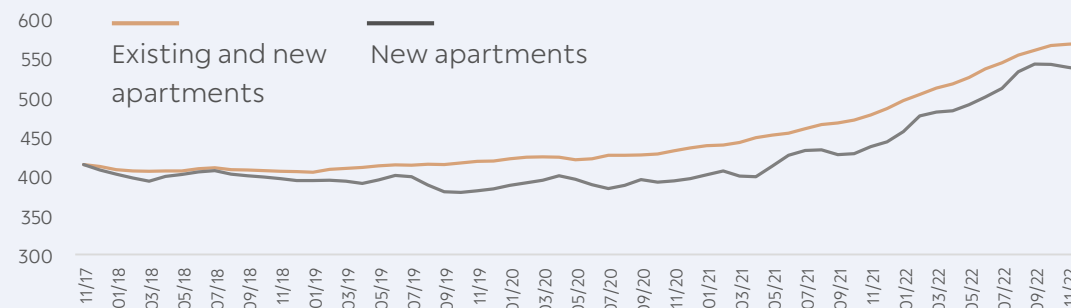
Units per year



Source: CBS, 2022E- BNHP economics department estimate

Apartment prices

House price indices



Source: CBS

New home sales fell to below pre-Covid level

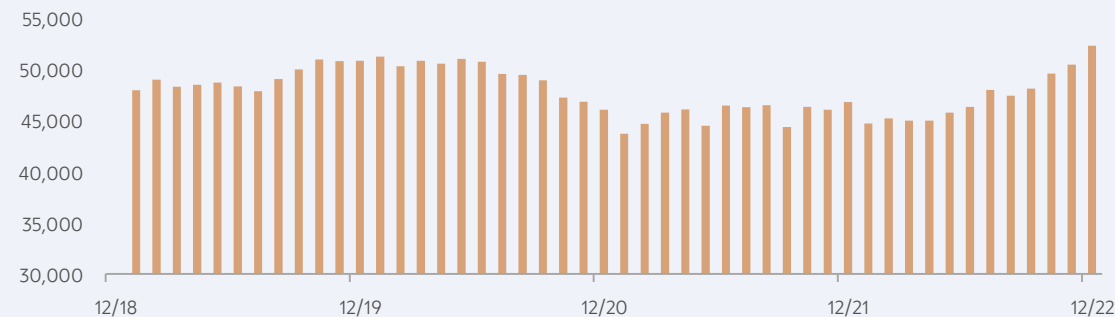
New home sales, units per-month



Source: CBS

Unsold housing stock low, though rising

stock of unsold homes, units

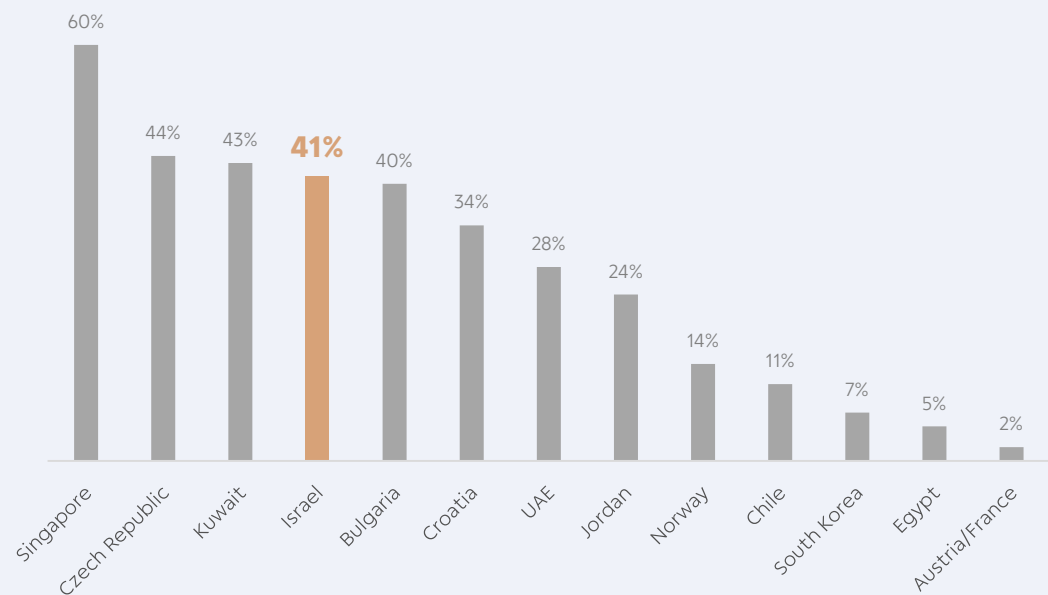


Source: CBS

Sound fiscal and financial position support the economy

Foreign currency reserves are high

As a percentage of GDP, as of 2022



Source: CBS

Public debt decreased to pre-Covid level

As a percentage of GDP



Source: MOF

2022 key takeaways

Record profit of NIS 6.5 billion;
ROE of 14.8%

Outstanding positive jaws with revenues up 24.5%, resulted from activity growth, boosted by spreads.
Cost-income ratio dropped to 44.5%

Responsible credit growth; pace aligned to the changing environment

Resilient asset quality, NPL ratio of 0.87%;

collective provision gradually increased to reflect potential macro effects and uncertainties

Tight management of capital and RWA optimization;

NIS 1.5 billion of dividend distributed in respect of 2022 profits

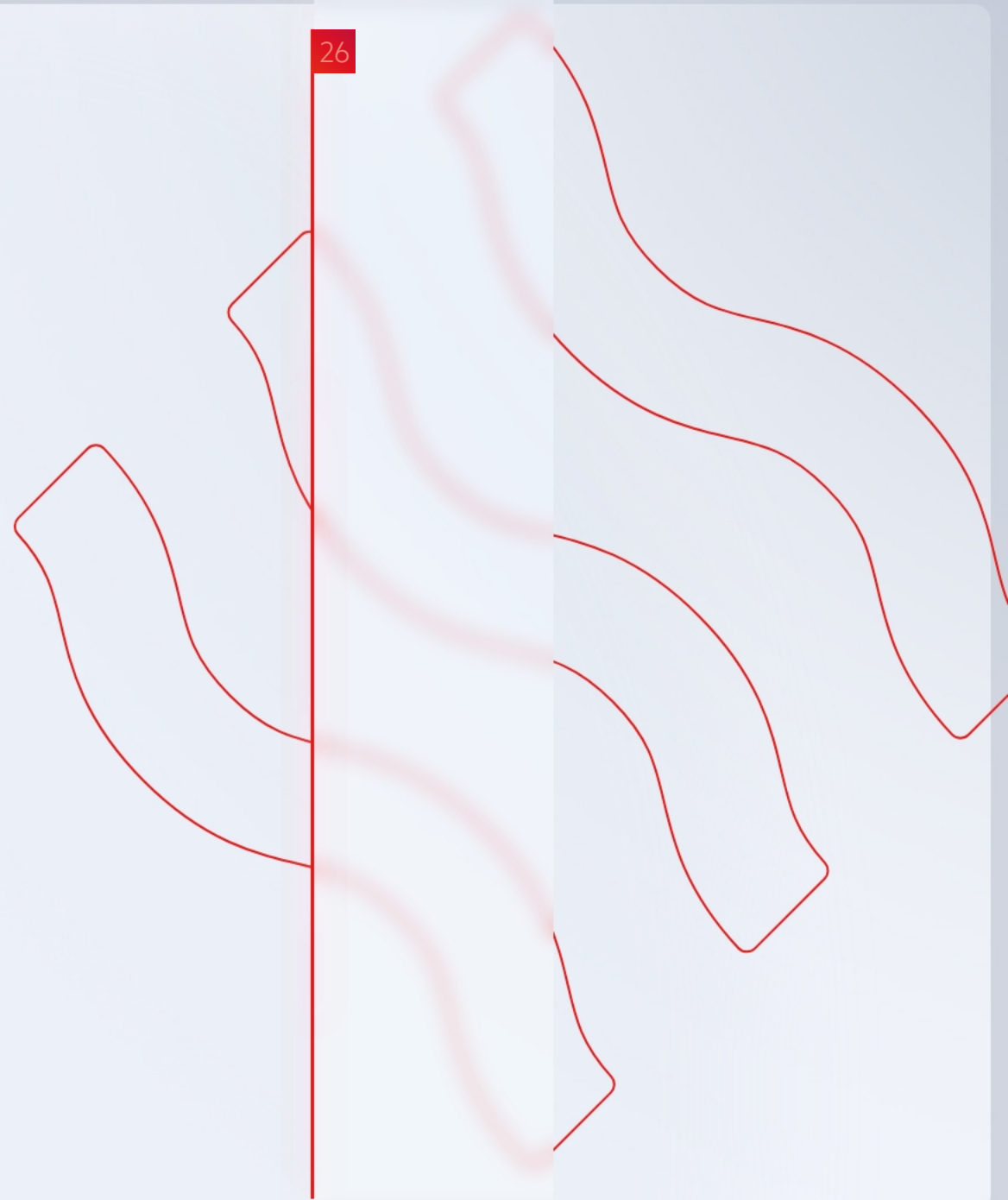
Adopted multi-annual strategy to **maintain the positive momentum** and **strengthen our position as a leading bank in Israel**



2022 Annual Financial Review

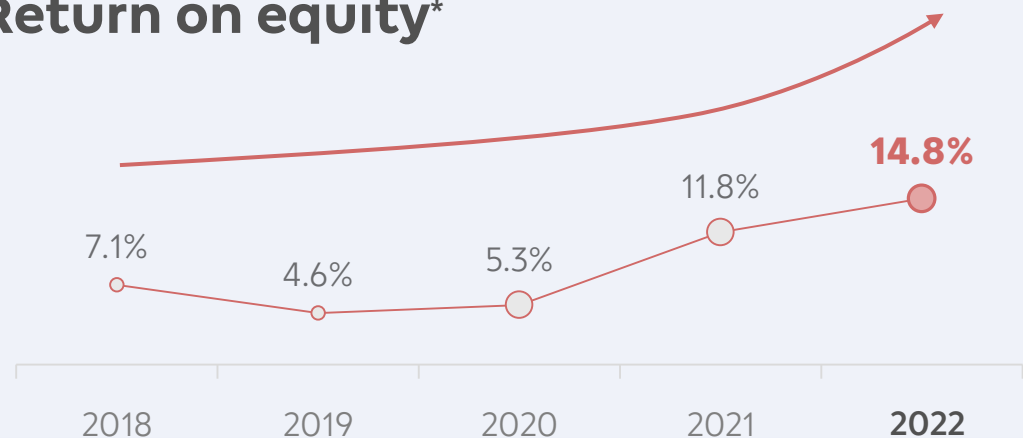
Dov Kotler, CEO

Strategy



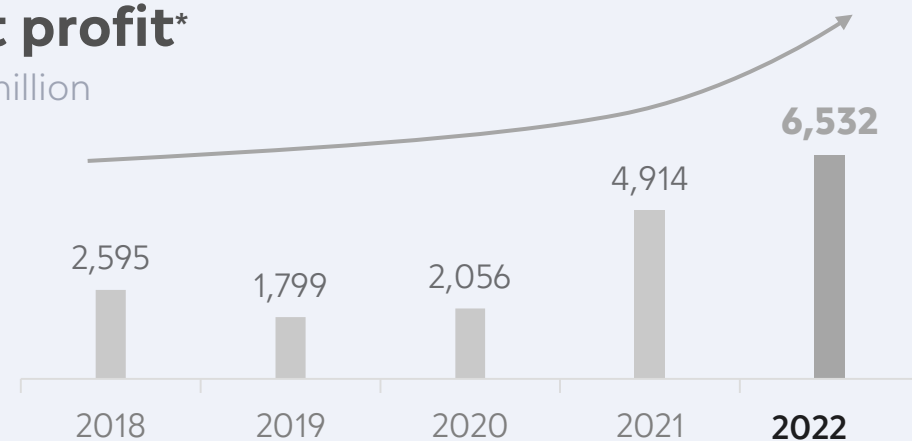
Strong business momentum and outstanding financial results

Return on equity*



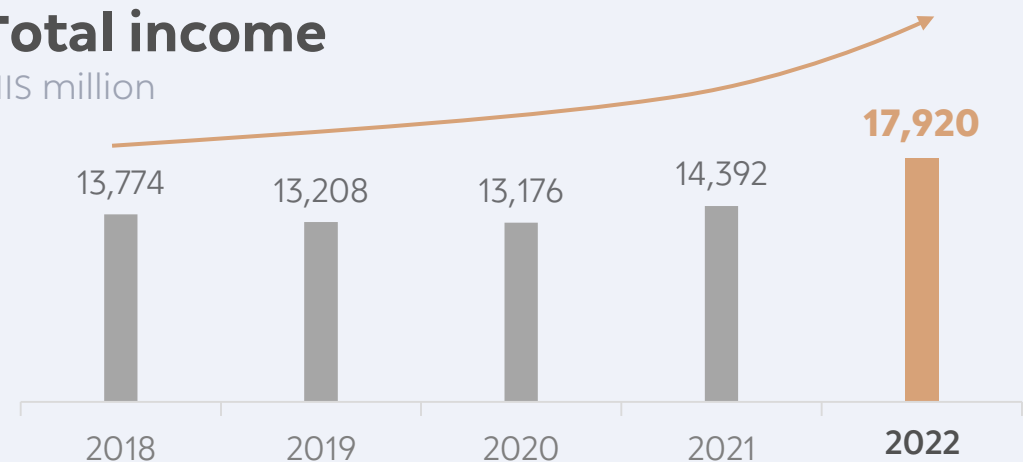
Net profit*

NIS million



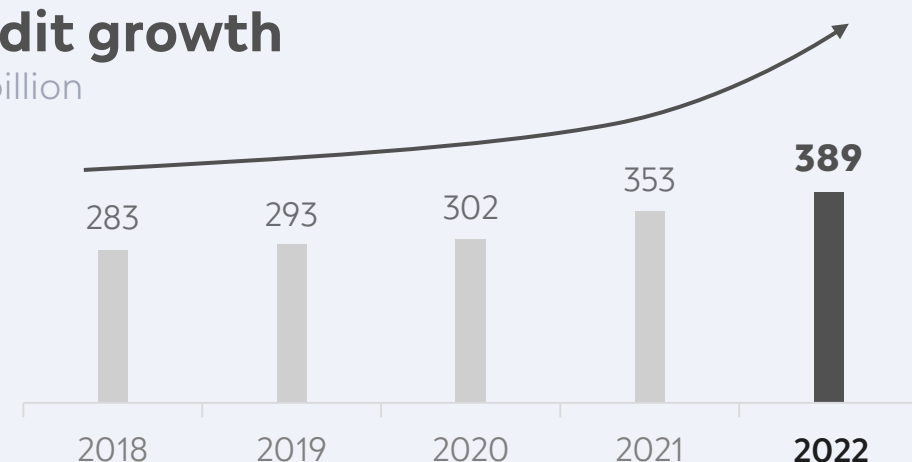
Total income

NIS million



Credit growth

NIS billion



* Net profit and ROE for the years 2018-2021 are as reported (including the effect of special items).



Bank Hapoalim has created a multi-annual strategic plan designed to maintain its positive trend, lead further responsible growth, substantially improve customer service, and solidify its leadership in the various segments of its activity.

The plan will strengthen its standing as a leading bank in Israel.

Poalim 2026

29

Professional
Excellence
& Leading
Service



1

Continued leadership in corporate banking and capital markets

2

Adaptation of the retail banking operating model

3

Resource optimization and greater productivity

4

Differentiating and influential innovation

Responsible
Growth



CTRO Unit



Poalim 2026 – Committed to responsible growth, professional excellence, and leading service

Solidifying the leadership of Bank Hapoalim in core banking

Strengthening retail banking and adapting the operating model

- Transition to a digital-first service concept
- Enhancing digital sales, by advanced customer journeys, models and tools
- Focus on private-banking customers and small businesses; new value proposition for these segments, with focus on credit, deposits and securities products
- Reshape of future branch network to focus on advisory services, complex products, and sales
- Full digital availability and a seamless experience across service channels, including enhancement of remote banking services

Continued leadership in corporate banking and capital markets

- Leveraging our leading position for continued growth; financing projects in infrastructures* and real estate (residential focused), increase market share in syndications, and offer new proposition to Hi-tech customers. Continued growth of Poalim Equity
- Leveraging our leading position in financial markets to offer new products and services in the areas of trading, OTC and deposits, including advanced and digital tools and upgrade of platforms
- Implementation of data-based pricing tools; development of advanced digital means to improve service and customer portfolio management

Resource optimization and greater productivity

Financial resources:

Implementation of global best practices to improve asset and liability management efficiency and further optimization and mitigation of RWA

Technological resources:

Continued investment in the core IT infrastructure modernization project to shorten time to market; allocation of technological development resources to implement strategic initiatives of the bank

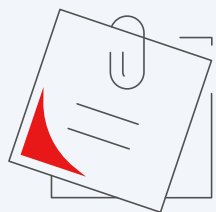
Productivity and human capital:

Transition to the Agile model ("tribes") for end-to-end management of banking products; CTRO Unit established to implement the strategic plan and implement a change-embracing organizational culture

Differentiating and influential innovation

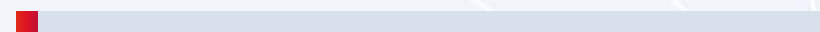
- Leveraging the Bit app, which reached ~3 million users (mostly non-Bank Hapoalim customers), for the development of new banking products, expansion of activity in payments, and creation of unique innovative value propositions
- Integrating third-party technologies and products from the Israeli and global ecosystem to streamline operational processes and improve service

*During 25 years of operations, the bank financed 55 infrastructure projects at a scope of NIS 60 billion (approximately NIS 5.5 in 2022). According to data by government officials, the scope of planned material infrastructure projects for 2023-2025 is approximately NIS 42 billion.



◆ bank hapoalim

2022 Annual Financial Review



Appendix

Key balance sheet items NIS million

| Year ended | 2021 | 2022 |
|--------------------------------------|---------|---------|
| Cash on hand and deposits with banks | 189,283 | 133,424 |
| Securities | 71,105 | 107,400 |
| Net credit to the public | 352,623 | 388,727 |
| Deposits from the public | 525,072 | 532,588 |
| Deposits from banks | 11,601 | 8,696 |
| Bonds and subordinated notes | 25,582 | 26,866 |
| Shareholders' equity | 42,735 | 46,502 |
| Total balance sheet | 638,781 | 665,353 |

Note: For a full balance sheet analysis, please refer to the Bank's financial statements for FY22.

Key profit and loss items NIS million

| Year ended | 2021 | 2022 |
|---|---------|---------|
| Total net financing profit | 10,848 | 14,048 |
| Fees and other income | 3,544 | 3,872 |
| Total income | 14,392 | 17,920 |
| Wages | (4,333) | (4,387) |
| Maintenance and depreciation of buildings and equipment | (1,333) | (1,441) |
| Other expenses | (2,087) | (2,144) |
| Special items | (50) | - |
| Total operating and other expenses | (7,803) | (7,972) |
| Provision for credit losses | 1,220 | 34 |
| Profit before taxes | 7,809 | 9,982 |
| Provision for taxes on profit | (2,958) | (3,548) |
| Net profit* | 4,914 | 6,532 |
| ROE* | 11.8% | 14.8% |

* Excluding special items net profit totaled NIS 4,957 million (ROE of 11.9%) in 2021.
For a full profit and loss analysis, please refer to the Bank's financial statements for FY22.

◆ bank hapoalim

Israel's leading
financial institution

