

Bank Hapoalim Announces Third Quarter 2020 Financial Results

Tel Aviv, Israel – November 19, 2020 - Bank Hapoalim (TASE: POLI) (ADR: BKHY), today announced its financial results for the third quarter ended September 30, 2020.

Key financial highlights:

- ◆ **Net profit** totaled NIS 816 million, compared with NIS 736 million in the corresponding quarter of 2019.
- ◆ **Return on equity** - totaled 8.8%, compared with 7.6% in the corresponding quarter of 2019.
- ◆ The Bank continued to demonstrate strong capital and liquidity resilience:
 - Common Equity Tier 1 (CET1)** capital ratio stood at 11.53%, well above both regulatory and internal capital targets.
 - Liquidity Coverage Ratio (LCR)** stood at 132% as at the end of the reporting period.
- ◆ **Provision for credit losses** - following high reserve build in the first half of 2020, the bank recorded a materially lower net provision for credit losses of NIS 193 million, or 0.26%.
- ◆ **Loan book** - reflective of the subdued credit demand and risk appetite during the period, net credit to the public at the end of the third quarter totaled NIS 293 billion, of which housing loans totaled NIS 96.4 billion compared with NIS 89.3 billion at the end of 2019, an increase of 7.9%.
- ◆ **Retail deposits** increased 16.3% since year-end and totaled NIS 273 billion.
- ◆ **Operating and other expenses** declined by 6.0%, totaling NIS 1,851 million, compared with NIS 1,970 million in the same quarter last year.
- ◆ **Cost income ratio** was 56.1% compared with 62.2% in the same quarter last year. The bank continues to implement various cost efficiency measures, amongst them the acceleration of its fifth efficiency program calling for the early retirement of approximately 10% of its workforce by end 2022.

Recent mentions:

- ◆ **Appointment of directors:** At the shareholder meeting of the bank held on October 22, 2020, the following directors were elected: Prof. Stanley Fischer and Mr. Israel Trau were elected to serve as directors of the bank, and Adv. Ronit Abramson-Rokach and Ms. Dalia Lev, CPA, were elected to a second term as external directors of the bank. The appointments are subject to approval by the Bank of Israel.

- ◆ **Appointment of Chief Accountant:** The Board of Directors approved the appointment of Mr. Guy Kalif, CPA, presently Head of Financial Planning and Budgets, to the position of Chief Accountant and member of the Board of Management, replacing Mr. Ofer Levy, CPA, who is retiring from the bank. The appointment is subject to approval by the Bank of Israel.
- ◆ **COVID-19:** The Bank continues its commitment to support its employees, customers and the community through the COVID-19 crisis. Among its many initiatives:
 - Deferral of loan payments:** The bank has continued to expand measures for its customers who are suffering the effects of COVID-19. Among other efforts, the bank is allowing customers to defer loan and mortgage payments, in order to provide cash-flow relief. The total cumulative balance of loans in respect of which payments were deferred is NIS 43.3 billion as at the end of the third quarter of 2020, of which loans in the amount of NIS 21.4 billion remain in deferral. The cumulative balance of mortgage loans in respect of which payments were deferred is NIS 20.8 billion, of which loans in the amount of 7.4 billion remain in deferral, representing a 64% reduction. Near the date of publication of the report, the credit balance in respect of which payments have been deferred totaled approximately NIS 19.1 billion.
 - Participation in government guarantee scheme:** The bank continues to offer loans to businesses under the scheme. As at the end of the third quarter, the bank has provided loans to its customers in the amount of approximately NIS 4.85 billion through the scheme. Approximately 77% of which have been granted to small businesses and microbusinesses, and an additional 23% to mid-sized and large businesses.
 - Scheduled appointments at the branches of the bank:** The bank has accelerated the drive towards scheduled appointments with bankers at its branches, in line with common practice at advanced organizations around the world. Scheduled appointments as a percentage of total meetings rose from approximately 20% at the beginning of this year to approximately 83% at the end of October, allowing improvement of the customer experience and better operational efficiency at the branches.
 - Designated loan fund for self-employed individuals:** The bank and the Lahav announced a NIS 0.5 billion loan fund targeted to assist self-employed individuals, with interest rates similar to those offered in government-backed loans.
- ◆ **Business collaborations in the United Arab Emirates:** Following the historic signing of the Abraham Accord, the bank has taken a leadership role in advancing the economic ties between Israel and the UAE, establishing corresponding relations with two of the national largest banks and instating trade financing activities.

Key developments in the financial statements for the third quarter of 2020:

- ◆ **Income from regular financing activity** totaled NIS 2,336 million in the third quarter of 2020, compared with NIS 2,387 million in the same quarter last year. The decline mainly reflects the negative impact of lower FED and local interest rates on deposit margins and from a decline in consumer credit balances.
- ◆ **Net provision for credit losses** totaled NIS 193 million in the second quarter of 2020, or 0.26% of the average total credit to the public (annualized), compared with a net Income for credit losses in the amount of NIS 40 million in the same quarter last year.
- ◆ **Fees and other income**, totaled NIS 766 million in the third quarter of 2020, compared with NIS 826 million in the same quarter last year, a decrease of 7.3%, mainly as a result of decline in income from credit cards and account-management fees.
- ◆ **Operating and other expenses**, totaled NIS 1,851 million in the third quarter of 2020, compared with NIS 1,970 million in the same quarter last year, a decrease of 6.0%.
- ◆ **Salary expenses**, totaled NIS 988 million in the third quarter of 2020, compared with NIS 1,033 million in the same quarter last year, a decrease of 4.4%.
- ◆ **Cost income ratio** was 56.1% in the third quarter of 2020, compared with 62.2% in the same quarter last year.

Key developments in balance sheet items:

- ◆ **Consolidated balance sheet**, totaled NIS 513.7 billion as at September 30, 2020, compared with NIS 463.7 billion at the end of 2019, an increase of 10.8%.
- ◆ **Net credit to the public**, totaled NIS 292.8 billion, compared with NIS 292.9 billion at the end of 2019.
- ◆ **Consumer credit in Israel**, totaled NIS 37.3 billion, compared with NIS 41.5 billion at the end of 2019, a decrease of 10.1%.
- ◆ **Housing loans in Israel**, totaled NIS 96.4 billion, compared with NIS 89.3 billion at the end of 2019, an increase of 7.9%.
- ◆ **Credit to small businesses in Israel**, totaled NIS 30.7 billion, compared with NIS 31.0 billion at the end of 2019, a decrease of 0.9%.
- ◆ **Credit to the commercial segment in Israel**, totaled NIS 41.3 billion, compared with NIS 40.1 billion at the end of 2019, an increase of 2.8%.
- ◆ **Credit to the corporate segment in Israel**, totaled NIS 72.7 billion, compared with NIS 76.6 billion at the end of 2019, a decrease of 5.1%.
- ◆ **Deposits from the public**, totaled NIS 417.0 billion, compared with NIS 361.6 billion at the end of 2019, an increase of 15.3%.

- ◆ **Deposits from consumers in Israel**, totaled NIS 217.2 billion, compared with NIS 188.8 billion at the end of 2019, an increase of 15.1%.
- ◆ **Deposits from small businesses in Israel**, totaled NIS 55.9 billion, compared with NIS 46.0 billion at the end of 2019, an increase of 21.5%.
- ◆ **Shareholders' equity**, totaled NIS 39.0 billion, compared with NIS 38.2 billion at the end of 2019, an increase of 2.1%.
- ◆ **The bank continues to maintaining a very high liquidity and stability indices – Liquidity coverage ratio** stood at 132% in the third quarter of 2020 compared with 124% in the same quarter last year.
- ◆ **Common Equity Tier 1 capital ratio** as at September 30, 2020, stood at 11.53%, well above both regulatory and internal targets.
- ◆ **Total capital ratio**, as at September 30, 2020 stood at 14.74%, above the capital thresholds required by the Bank of Israel.

Conference Call Information:

Bank Hapoalim will host a conference call today to discuss its third quarter 2020 financial results at 5:00 p.m. (Israel); 3:00 p.m. (UK); 10:00 a.m. (ET). To access the conference call, please dial: 1-888-281-1167 toll free from the United States; 0-800-051-8913 toll free from the United Kingdom; or 972-3-9180685 internationally. No password is required. The call will be accompanied by a slide presentation, which, together with the financial statements, will be available on the Bank's website at www.bankhapoalim.com, under Investor Relations, Financial Information. A recording of the conference call will be available on the Bank's website at the above address one business day following the completion of the call.

Please note: The conference call does not replace the need to peruse the immediate reports and the Financial Statements of the Bank, including all the forward-looking information included therein in accordance with Section 32A of the Israeli Securities Law, 1968.

About Bank Hapoalim:

Bank Hapoalim is Israel's leading financial group. In Israel, the Bank Hapoalim operates 199 full-service retail branches, regional business centers and specialized industry relationship managers for major corporate customers. The Bank Hapoalim Group includes holdings in financial companies involved in investment banking, trust services and portfolio management. Internationally, commercial banking services are provided in North America by the New York branch. Bank Hapoalim is listed on the Tel Aviv Stock Exchange (TASE: POLI) and holds a Level-1 ADR program. For more information about Bank Hapoalim, please visit us online at www.bankhapoalim.com

Please note: This press release was prepared for convenience only. In case of any discrepancy, the Bank's reported financial statements in Hebrew will prevail.

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Table 1-1: Condensed financial information and principal performance indicators over time

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
Main performance indicators					
Return of net profit on equity attributed to shareholders of the Bank ⁽¹⁾	8.78%	7.63%	4.01%	8.43%	4.62%
Return of net profit on equity attributed to shareholders of the Bank excluding extraordinary items ⁽¹⁾⁽²⁾	8.78%	8.30%	4.54%	8.40%	7.13%
Return of net profit from continued operations on equity attributed to shareholders of the Bank ⁽¹⁾	8.78%	7.46%	4.39%	7.52%	3.86%
Return of net profit from continued operations on equity attributed to shareholders of the Bank excluding extraordinary items ⁽¹⁾⁽³⁾	8.78%	8.13%	4.54%	7.97%	6.72%
Return on average assets ⁽¹⁾	0.64%	0.65%	0.31%	0.71%	0.39%
Ratio of income to average assets ⁽¹⁾	2.00%	2.07%	2.02%	2.15%	2.17%
Ratio of fees to average assets ⁽¹⁾	0.59%	0.72%	0.64%	0.70%	0.71%
Efficiency ratio – cost-income ratio from continued operations	56.06%	62.20%	56.85%	59.58%	66.44%
Efficiency ratio – cost-income ratio excluding extraordinary items from continued operations ⁽³⁾	56.06%	61.01%	56.55%	58.49%	58.13%
Financing margin from regular activity ⁽¹⁾⁽⁴⁾	1.93%	2.23%	2.04%	2.28%	2.26%
Liquidity coverage ratio ⁽⁵⁾	132%	124%	132%	124%	121%
	As at September 30		December 31		
	2020	2019	2019		
Ratio of common equity Tier 1 capital to risk components ⁽⁶⁾	11.53%	11.87%	11.53%		
Ratio of total capital to risk components ⁽⁶⁾	14.74%	15.16%	14.64%		
Leverage ratio ⁽⁶⁾	6.92%	7.92%	7.61%		

(1) Calculated on an annualized basis.

(2) Does not include expenses in respect of the update of the provision in connection with the investigation of the Bank Group's business with American customers and FIFA, the effect of the closure of the private-banking activity overseas, net profit or loss from the separation from Isracard, and loss from impairment in respect of the Bank's investment in Bank Pozitif.

(3) Does not include expenses in respect of the update of the provision in connection with the investigation of the Bank Group's business with American customers and FIFA, the effect of the closure of the private-banking activity overseas, and loss from impairment in respect of the Bank's investment in Bank Pozitif.

(4) Financing profit from regular activity (see the Report of the Board of Directors and Board of Management, in section 2.2 "Material developments in income, expenses, and comprehensive income") divided by total financial assets after allowance for credit losses, net of non-interest bearing balances in respect of credit cards.

(5) For additional information, see the section "Liquidity and refinancing risk," in the financial statements.

(6) For additional information, see the section "Capital, capital adequacy, and leverage," in the financial statements.

Condensed financial information and principal performance indicators over time (continued)

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
Main credit quality indicators					
Allowance for credit losses as a percentage of credit to the public	2.07%	1.35%	2.07%	1.35%	1.58%
Impaired debts and debts in arrears of 90 days or more as a percentage of credit to the public	1.65%	1.29%	1.65%	1.29%	1.80%
Net charge-offs as a percentage of average credit to the public ⁽¹⁾	(0.03%)	0.01%	0.18%	0.10%	0.12%
Provision for credit losses as a percentage of average credit to the public ⁽¹⁾	0.26%	(0.05%)	0.95%	0.18%	0.44%

Main profit and loss data

	NIS millions				
Net profit attributed to shareholders of the Bank	816	736	1,141	2,428	1,799
Net profit attributed to shareholders of the Bank excluding extraordinary items ⁽²⁾	816	798	1,290	2,419	2,778
Net profit from continued operations attributed to shareholders of the Bank	816	720	1,250	2,170	1,503
Net profit from continued operations attributed to shareholders of the Bank excluding extraordinary items ⁽³⁾	816	782	1,290	2,298	2,619
Net interest income	2,201	2,283	6,559	7,026	9,319
Provision (income) for credit losses	193	(40)	2,130	400	1,276
Net financing profit*	2,536	2,341	7,393	7,339	9,878
Non-interest income	1,101	884	3,280	2,775	3,889
Of which: fees	755	815	2,364	2,404	3,240
Operating and other expenses	1,851	1,970	5,593	5,839	8,776
Of which: salaries and related expenses	988	**1,033	2,913	**3,119	**4,108
Total income	3,302	3,167	9,839	9,801	13,208

Additional data

Net profit per share attributed to shareholders of the Bank (in NIS)	0.61	0.55	0.86	1.82	1.13
Total dividend per share (in agorot) ⁽⁴⁾	-	74.90	⁽⁵⁾ 53.94	74.90	74.90

* Net financing profit includes net interest income and non-interest financing income (expenses).

** Reclassified.

(1) Calculated on an annualized basis.

(2) Does not include expenses in respect of the update of the provision in connection with the investigation of the Bank Group's business with American customers and FIFA, the effect of the closure of the private-banking activity overseas, net profit or loss from the separation from Isracard, and loss from impairment in respect of the Bank's investment in Bank Pozitif.

(3) Does not include expenses in respect of the update of the provision in connection with the investigation of the Bank Group's business with American customers and FIFA, the effect of the closure of the private-banking activity overseas, and loss from impairment in respect of the Bank's investment in Bank Pozitif.

(4) According to the date of declaration.

(5) Paid as a dividend in kind, in shares; calculated based on the value of Isracard shares on March 8, 2020 (NIS 10.91).

Condensed financial information and principal performance indicators over time (continued)

	September 30	December 31	
	2020	2019	2019
	NIS millions		
Main balance sheet data			
Total assets	513,686	453,347	463,688
Of which: Cash and deposits with banks	128,421	72,517	88,122
Securities	67,835	65,592	59,486
Net credit to the public	292,845	291,007	292,940
Net problematic credit risk	9,252	7,761	8,787
Net impaired balance sheet debts	2,643	2,295	3,034
Credit to the public not accruing interest income (NPL)	3,482	2,401	3,867
Total liabilities	474,688	414,086	425,467
Of which: Deposits from the public	417,005	348,027	361,645
Deposits from banks	3,280	3,178	3,520
Bonds and subordinated notes	24,724	28,337	26,853
Shareholders' equity	38,971	39,218	38,181
Additional data			
Share price at end of period (in NIS)	18.3	26.7	28.7