



Leumi Reports Net Income of NIS 3,522 Million (\$1,019 Million) and ROE of 9.8% for 2019

The Bank will distribute a NIS 297 million (\$86 million) dividend; Since the beginning of 2019, dividend and share buyback totaled NIS 2.1 billion (\$608 million);

The Bank's Board of Directors approved an additional share buyback plan for 2020 of up to NIS 700 million (\$203 million)

- > Net income in 2019 reached NIS 3,522 million (\$1,019 million), compared with NIS 3,257 million (\$942 million) in 2018 – a 8.1% year-over-year increase.
- > Return on equity in 2019 reached 9.8%, compared with 9.5% in the same period last year. Excluding the effect of Leumi Card, the return on equity in 2019 was 9.2%, compared with 9.0% in the corresponding period last year.
- > Common Equity Tier 1 capital ratio as at December 31, 2019 was 11.88%, and the total capital ratio reached 15.67%.
- > Efficiency ratio continues to improve – A 56.8% ratio in 2019, compared with 60.6% in 2018. Excluding the effect of Leumi Card – the efficiency ratio was 58.1% in 2019, compared with 60.5% in 2018. During 2019, the Bank implemented an additional efficiency plan, under which 400 employees retired voluntarily from the Bank at the end of the year.
- > Dividend and share buyback:
 - ✓ The Bank's Board of Directors approved an additional share buyback plan, to be implemented during 2020, totaling up to NIS 700 million (\$203 million).
 - ✓ The Bank's Board of Directors approved a dividend distribution of 40% of the net income in the fourth quarter of 2019, totaling NIS 297 million (\$86 million).
 - ✓ The accumulated dividend for 2019 totaled NIS 1,409 million (\$408 million).
 - ✓ During 2019, Leumi implemented a NIS 700 million (\$203 million) share buyback plan.
 - ✓ Shareholder returns in 2019 (accumulated dividend + share buyback) totaled NIS 2.1 billion (\$608 million).
- > Growth in the loan portfolio – The Bank's loan portfolio as at December 31, 2019, net of the exchange rate effect, increased by 4.8%. Growth in the loan portfolio, including the exchange rate effect, was 3.6%. The commercial portfolio increased by 6.3%; the mortgage portfolio increased by 4.7% and the corporate portfolio increased by 10.6%.



- > Credit loss expenses in 2019 reached 0.22% of the loan portfolio, compared with 0.15% in the same period last year (excluding Leumi Card). The increase in expenses stems from credit growth, a decrease in collections and reclassifications.
- > Net finance income in 2019, excluding the effect of Leumi Card, was up by 10.2% compared to last year, totaling NIS 10.2 billion (\$3.0 billion).
- > Operating expenses in 2019, excluding the effect of Leumi Card, were up by NIS 264 million (\$76 million) compared with the same period last year, a 3.5% increase. The increase mainly stems from a provision for bonuses, including a sign-on bonus in respect of the collective salary agreement and a one-time expense in respect of the exchange of bond series.

Continued Implementation of the Bank's Strategy:

- > Responsible Growth – In the past years, Leumi has invested significant resources in reducing expenses, improving the capital structure and mitigating risks, while making massive investments in technological infrastructures, which serve as the basis for the future of banking. With the infrastructures in place, the business focus of the Bank will naturally be shifted towards boosting responsible growth.
- > Operations Division – The Operations Division has a significant role in improving the efficiency ratio and upgrading customer service by implementing new technologies, including robotics, across all units of the Group.
- > Improving the capital structure – Leumi has recently completed a groundbreaking move in the Israeli banking system with the issuance of Tier-2 subordinated notes to foreign investors in the amount of USD 750 million, with demands exceeding USD 4 billion.
- > Leumi continues to lead in innovation and digital banking in Israel:
 - PEPPER – Leumi's mobile-only digital bank – continues to expand its activity, having launched this year its 'Pepper Invest' app, which allows trading in leading US stocks and ETSs, enabling fractional shares trading with a minimal investment of NIS 50.
 - PAY payments app extended this year its penetration into the contactless payments world and is expected to continue its cooperation with leading Israeli retailers.
 - Leumi Digital – Extension of the range of services available on direct channels, such as transfers of foreign currency via mobile app, starting an investment portfolio, digital guarantees, pre-authorized debits, etc.
- > Leumi continues to lead the financing of Israeli high-tech through LeumiTech, which expanded its activity in 2019 both in the US and the UK.



Development of Balance Sheet Items:

- > Net credit to the public as at December 31, 2019 totaled NIS 282.5 billion (\$81.7 billion), compared with NIS 272.6 billion (\$78.9 billion) as at December 31, 2018.
- > Deposits by the public as at December 31, 2019 totaled NIS 373.6 billion (\$108.1 billion), compared with NIS 364.7 billion (\$105.5 billion) as at December 31, 2018.
- > Leverage ratio as at December 31, 2019 was 7.34%, compared to the 6% minimum required by the Bank of Israel.
- > Liquidity coverage ratio as at December 31, 2019 was 123%, compared to the 100% minimum required by the Bank of Israel.

Leumi Chairman of the Board, Dr. Samer Haj Yehia:



“The Leumi Group has completed 2019 with a net income of NIS 3,522 million, which reflects a 9.8% return on equity. In 2019, Leumi continued to distribute a dividend of 40% of the net income to its shareholders, in addition to executing a share buyback plan totaling NIS 700 million, bringing the total return amount to investors – in the form of dividends and share buyback – to NIS 2.1 billion. Leumi continued to streamline processes, introduce innovative products and adapt its services to its customers.

This is an excellent opportunity to express – on behalf of the Bank’s Board of Directors, Senior Management and employees – our deepest gratitude to our investors and to our wide, dedicated customer base, across all population segments in Israel and abroad, for the ongoing trust they place in our doing and chosen path.

These results were achieved against a background of challenges and changes in the banking system – both internal and external, regulatory and technological, business and consumer-oriented – which require determination and adherence. These changes are expected to continue to take place in the future, and we at Leumi are working persistently to adapt our business model, while exercising open-mindedness and dynamic modes of action to achieve our goals.

I would like to acknowledge the devotion and professionalism of the members of the Board of Directors, Senior Management and the Group’s employees in achieving the goals and adapting our business model to ensure the continued positioning of Leumi as a leading entity in the Israeli banking system, providing the best, most innovative, professional and digital banking services to our customers.

I am very proud to be heading Leumi and leading it to new heights. I appreciate the significant responsibility and supreme privilege the directors have placed in my hands, and recognize the commitment to the Bank’s success as a whole, as well as to the success of the employees and their personal and professional realization”.



Leumi President & CEO, Mr. Hanan Friedman:



“The results we present today clearly demonstrate that the Bank’s strategy in the past few years has proven itself, and that Leumi is prepared, more than ever, to cope with the formidable changes and challenges facing the banking industry. The infrastructure we have built in recent years will allow us to continue implementing our successful strategy into 2020, while significantly boosting the adaptation of our service model to our customers’ characteristics and needs – with an emphasis on responsible growth – and maintaining a high-quality credit portfolio. Responsible growth will be achieved, inter alia, by enhancing the use of smart models, which allow us to predetermine our customers’ needs, across all business lines.

Alongside continuing to invest in the digital domain and leveraging our data capabilities for core business growth, we will continue to implement new technological measures, including robotizing processes, for the sake of smart efficiency and enhanced operations.

Lately, we became the first Israeli bank to raise Tier-2 subordinated notes from foreign investors. The unprecedented demands, in addition to the low spreads, reflect the exceptional trust of investors from around the globe in the Israeli economy and in Bank Leumi’s robustness”.



Leumi Group – Principal Data from the Financial Statements

Profit and Profitability (in NIS millions)

| | For the year ended December 31 | | Change | |
|---|--------------------------------|-------|--------------|-------|
| | 2019 | 2018 | NIS millions | % |
| | | | | |
| Net interest income | 8,841 | 8,890 | (49) | (0.6) |
| Credit loss expenses | 609 | 519 | 90 | 17.3 |
| Non-interest income | 5,081 | 4,871 | 210 | 4.3 |
| Operating and other expenses | 7,908 | 8,337 | (429) | (5.1) |
| Profit before taxes | 5,405 | 4,905 | 500 | 10.2 |
| Provision for taxes | 1,830 | 1,619 | 211 | 13.0 |
| Profit after taxes | 3,575 | 3,286 | 289 | 8.8 |
| The Bank's share in profits of companies included on equity basis | (15) | 36 | (51) | - |
| Net income attributed to non-controlling interests | (38) | (65) | 27 | |
| Net income attributed to the bank's shareholders | 3,522 | 3,257 | 265 | 8.1 |
| Return on equity (%) | 9.8 | 9.5 | | |
| Earnings per share (NIS) | 2.37 | 2.15 | | |

Development of Balance Sheet Items (in NIS billions)

| | As at December 31 | | Change in % |
|---|-------------------|-------|-------------|
| | 2019 | 2018 | |
| Net Credit to the public ^(a) | 282.5 | 272.6 | 3.6 |
| Deposits by the public ^(a) | 373.6 | 364.7 | 2.4 |
| Shareholders' equity | 35.4 | 35.3 | 0.3 |
| Total assets | 469.1 | 460.8 | 1.8 |

(a) Excluding the balances for Leumi Card, which were classified as held-for-sale assets and liabilities in 2018.

Principal Financial Ratios (%)

| | As at December 31 | |
|---|-------------------|-------|
| | 2019 | 2018 |
| Net credit to the public to total assets ^(a) | 60.2 | 59.2 |
| Deposits by the public to total assets ^(b) | 79.6 | 79.2 |
| Total equity to risk assets | 15.67 | 14.54 |
| Total Tier 1 equity to risk assets | 11.88 | 11.07 |
| Leverage ratio | 7.34 | 7.05 |
| Liquidity coverage ratio | 123 | 121 |
| Expenses in respect of credit losses out of net credit to the public | 0.22 | 0.19 |
| Total operating and other expenses to total income (efficiency ratio) | 56.8 | 60.6 |

a) Excluding the credit for Leumi Card (comparative results), which were classified as held-for-sale assets and liabilities in 2018.

b) Excluding deposits by Leumi Card (comparative results), which were classified as held-for-sale assets and liabilities in 2018.

The data in this press release has been converted into US dollars solely for convenience purposes, at the representative exchange rate published by the Bank of Israel on December 31, 2019, NIS 3.456.