



**Leumi Reports a Return On Equity of 9.9% in the  
First Half of 2018;**

**Return On Equity in the Second Quarter of 2018 Reached 11.1%**

**The Bank will distribute a NIS 361 million (\$99 million) dividend based  
on second quarter earnings;**

**From the beginning of 2018, dividend payments and buyback of  
Leumi shares neared NIS 1 billion (\$274 million)**

- > **Net income** in the first half of 2018 totaled NIS 1,633 million (\$447 million), compared with NIS 1,498 million (\$410 million) in the same period last year, a 9% year-over-year increase. Net income in the second quarter of 2018 totaled NIS 903 million (\$247 million), compared with NIS 876 million (\$240 million) in the same period last year, a 3.1% increase.
- > **Return on equity** in the first half of 2018 was 9.9%, compared with 9.6% in the same period last year. Return on equity in the second quarter of 2018 was 11.1%, compared with 11.3% in the same period last year.
- > **Leumi continues to maintain the highest quality loan portfolio in the Israeli banking industry** - Credit loss expenses in the first half of 2018 reflected 0.09% of the Bank's credit portfolio, compared with 0.11% in the same period last year. Credit loss expenses in the second quarter of 2018 were less than zero (income).
- > **Continued improvement in the efficiency ratio** - A 61.9% ratio in the first half of 2018, compared with 62.2% in the same period last year, and 63.1% as at December 31, 2017.
- > **Common Equity Tier I capital ratio** in the first half of 2018 reached 11.17%, while the total capital ratio reached 14.34%.
- > **The Bank will distribute a dividend** of NIS 361 million (\$99 million) based on second quarter earnings. From the beginning of 2018, dividend payments totaled NIS 653 million (\$179 million).



- > **Share buyback plan** – In late May 2018, the Bank began implementing its (up to) NIS 700 million (\$192 million) share buyback. As of the financial statements' approval date, the Bank has purchased shares in the amount of NIS 303 million (\$83 million).
- > **Net interest income** in the first half of 2018 was up by NIS 382 million (\$105 million) compared with the corresponding period last year, a year-over-year 9.5% increase. Net interest income in the second quarter of 2018 was up by 11.5% compared with the same period last year.
- > **Total operating expenses** in the first half of 2018 increased by NIS 81 million (\$22 million) compared with the same period last year, mainly due to the bonus granted to employees during the second quarter, in respect of structural changes.

#### Additional events:

- > **Sale of Leumi Card** – In July 2018, the Bank signed an agreement with US private equity fund Warburg Pincus for the sale of its holdings in Leumi Card (80% holding). The total sale amount was NIS 2.5 billion, with the Bank's share being NIS 2 billion. On meeting certain preconditions, the Bank will be entitled to an additional consideration of up to NIS 273 million in the future. Subject to the completion of the transaction, the Bank is expected to record an after-tax profit of NIS 234 million.
- > **Strategic investment into Bank Leumi USA** – During May 2018, the sale of 15% of BLUSA to Endicott and MSD was completed, reflecting a net worth value of approximately USD 1 billion for Bank Leumi USA. The profit from the transaction was recognized directly in equity.
- > **Realization of Avgol shares** – In July 2018, Leumi completed the sale of its holdings in Avgol Industries, through its wholly-owned subsidiary Leumi Partners. The Bank is expected to record a pre-tax profit of NIS 124 million from the sale.



### In Accordance with the Bank's Strategy:

- > **Leumi continues to lead the digital banking field in Israel**, with growth in 'Pepper's activity volume, while continuing to develop innovative and groundbreaking products, such as 'Digital Mortgage' and additional tools to enable smart financial conduct.
- > **Establishment of Operations Division** - The Bank continues to work towards establishing its new Operations Division, which will officially launch in 2019. The new division will combine all operational activities under one roof, in an effort to improve efficiency, simplify and streamline processes, mitigate risk and enhance efficacy.
- > **Credit growth** - The Bank continues to selectively grow its loan portfolio, while maintaining a strict risk management policy and a high quality portfolio.

### Development of Balance Sheet Line Items:

- > **The Group's total shareholders' equity** as at June 30, 2018 amounted to NIS 34.7 billion (\$9.5 billion), compared with NIS 32.5 billion (\$8.9 billion) as at June 30, 2017.
- > **The leverage ratio** as at June 30, 2018 was 7%, compared with the Bank of Israel's minimum threshold of 6%.
- > **The liquidity coverage ratio** as at June 30, 2018 reached 124%, compared with the Bank of Israel's minimum threshold of 100%.
- > **Net loans to the public** as at June 30, 2018 amounted to NIS 272.1 billion (\$74.6 billion), compared with NIS 264.5 billion (\$72.5 billion) as at June 30, 2017.
- > **Deposits from the public** as at June 30, 2018 amounted to NIS 361.2 billion (\$99.0 billion), compared with NIS 342.8 billion (\$93.9 billion) as at June 30, 2017.



## Leumi Group – Principal Data from the Financial Statements

### Profit and Profitability (in NIS millions)

	For the six months ended June 30			December 31 2017
	2018	2017	Change in %	
Net interest income	4,420	4,038	9.5	8,046
Credit loss expenses	116	143	(18.9)	172
Noninterest income	2,283	2,507	(8.9)	5,428
Operating and other expenses	4,151	4,070	2.0	8,501
Profit before taxes	2,436	2,332	4.5	4,801
Provision for tax	783	844	(7.2)	1,692
Profit after tax	1,653	1,488	11.1	3,109
The Bank's share in profits of companies included on equity basis	12	25	(52.0)	92
Net profit attributed to non-controlling interests	(32)	(15)	-	(29)
Net income attributed to shareholders of the banking corporation	1,633	1,498	9.0	3,172
Return on equity (in %)	9.9%	9.6%		9.8%
Net income per share (NIS)	1.07	0.98		2.08

### Development of Balance Sheet Items (in NIS millions)

	June 30			December 31	
	2018	2017	Change in %	2017	Change in %
Net credit to the public	272,065 <sup>(a)</sup>	264,534	2.8	267,952	1.5
Deposits of the public	361,220	342,766	5.4	362,478	(0.3)
Shareholders' equity	34,679	32,521	6.6	33,167	4.6
Total assets	450,448	436,967	3.1	450,838	(0.1)

### Principal Financial Ratios (%)

	June 30		December 31 2017
	2018	2017	
Net credit to the public to total assets	60.4 <sup>(a)</sup>	60.5	59.4
Deposits of the public to total assets	80.2	78.4	80.4
Total equity to risk assets	14.34	14.97	14.99
Total Tier 1 equity to risk assets	11.17	11.21	11.43
Leverage ratio	7.00	6.93	6.94
Liquidity coverage ratio	124	127	122
Expenses in respect of credit losses out of net credit to the public	0.09 <sup>(a)</sup>	0.11	0.06
Total operating and other expenses to total income (efficiency ratio)	61.9	62.2	63.1
Net interest margin (NIM)	2.20	2.07	2.05

(a) Including the credit of Leumi Card which is classified as a held-for-sale asset as of March 31, 2018.

The data in this press release has been converted into US dollars solely for convenience, at the representative rate of exchange published by the Bank of Israel prevailing on June 30, 2018, NIS 3.65.