



Press Release

Net profit of NIS 290 million (\$84 million) for Leumi in the second quarter of 2014, after a provision of NIS 460 million (\$134 million) made in connection with the settlement with US authorities

After neutralizing the above mentioned provision, the net profit in the second quarter of 2014 would be NIS 765 million (\$223 million), representing a net return on equity of 11.7% on an annual basis

August 21, 2014

- Net profit in the second quarter of 2014 represents a net return on equity of 4.3% (on an annual basis).
- Net profit in the first half of 2014 was NIS 915 million (\$266 million), representing a net return on equity of 6.9% (on an annual basis).
- After neutralizing the provision made in connection with the settlement with US authorities, the net return on equity in the first half of 2014 would have reached 10.8%.
- The efficiency program – after neutralizing the expenses made in connection with the settlement with US authorities, operating expenses during the first half of 2014 decreased by 1.5%, from NIS 4,198 million (\$1,221 million) to NIS 4,137 million (\$1,203 million), while maintaining the moderation of salary expenses.
- The efficiency ratio in the first half of 2014, after neutralizing the expenses made in connection with the settlement with US authorities, was 65.8%.
- An increase of 1.5% in the Group's credit portfolio compared with December 31, 2013, in accordance with the Bank's strategy:
 - An increase of 3.4% in credit to small businesses in Israel.
 - An increase of 5.9% in credit to middle market companies in Israel.



- ▶ Income in respect of credit losses in the first half of 2014 amounted to NIS 67 million (\$19 million), compared with expenses in respect of credit losses of NIS 157 million (\$46 million) in the corresponding period last year, a decrease of NIS 224 million (\$65 million).
- ▶ The capital adequacy ratio in the first half of 2014 reached 14.25%, of which the core capital ratio was 9.34%.
- ▶ **The Group's equity** as of June 30, 2014 amounted to NIS 27.3 billion (\$7.9 billion), compared with NIS 25.6 billion (\$7.4 billion) as of June 30, 2013 (an increase of 6.7%), and NIS 26.4 billion (\$7.7 billion) as of December 31, 2013 (an increase of 3.3%).
- ▶ **Deposits of the public** as of June 30, 2014 amounted to NIS 279.9 billion (\$81.4 billion), compared with NIS 275.4 billion (\$80.1 billion) as of June 30, 2013 (an increase of 1.6%), and NIS 286.0 billion (\$83.2 billion) as of December 31, 2013 (a decrease of 2.1%).
- ▶ **Net Credit to the public** as of June 30, 2014 was NIS 244.4 billion (\$71.1 billion), compared with NIS 238.5 billion (\$69.4 billion) as of June 30, 2013 (an increase of 2.5%), and NIS 240.9 billion (\$70.1 billion) as of December 31, 2013 (an increase of 1.5%).

Leumi Group –
principal data
from the financial
statements

Profit and Profitability (in NIS millions)						
	For the six months ended June 30			For the three months ended June 30		
	2014	2013	Rate of Change %	2014	2013	Rate of Change %
Net interest income	3,662	3,601	1.7	1,905	1,839	3.6
Income (expenses) in respect of credit losses	67	(157)	+	16	(84)	+
Non-interest income	2,624	2,715	(3.4)	1,250	1,246	0.3
Operating and other expenses	(4,639)	(4,236)	9.5	(2,515)	(2,179)	15.4
Profit before tax	1,714	1,923	(10.9)	656	822	(20.2)
Provision for tax	(754)	(747)	0.9	(369)	(284)	29.9
Profit after tax	960	1,176	(18.4)	287	538	(46.7)
Share of the Bank in losses of companies included on equity basis	(51)	(111)	(54.1)	(14)	(54)	(74.1)
Loss (profit) attributed to non-controlling interests	6	(21)	–	17	(10)	–
Net profit	915	1,044	(12.4)	290	474	(38.8)
Net return on equity in %	6.9	8.4	–	4.3	7.6	–

Development of Balance Sheet Items (in NIS billions)					
	June 30, 2014	June 30, 2013	Dec 31, 2013	% Change to June 30, 2013	% Change to Dec 31, 2013
Total assets	368.6	363.7	374.4	1.3	(1.5)
Credit to the public	244.4	238.5	240.9	2.5	1.5
Deposits of the public	279.9	275.4	286.0	1.6	(2.1)
Shareholders' equity	27.3	25.6	26.4	6.7	3.3
Total managed assets	1,198	1,081	1,165	10.8	2.8

Principal Financial Ratios (%)			
	June 30, 2014	June 30, 2013	Dec 31, 2013
Net credit to the public to total assets	66.3	65.6	64.3
Deposits of the public to total assets	75.9	75.7	76.4
Liquidity ratio (credit to total deposits)	78.9	77.5	76.2
Coverage ratio (allowance to impaired debt)	77.7	70.7	74.5
Total equity to risk assets (capital adequacy ratio)*	14.25	15.02	14.82
Core capital to risk assets (Tier I)*	9.34	9.03	9.43
Credit loss expenses to net credit to the public	(0.05)	0.13	0.11
Of which: individual allowance	(0.15)	0.03	–
Of which: collective allowance	0.10	0.10	0.11
Interest margin	2.15	2.03	2.08
Operating expenses to total income (efficiency ratio)	73.8	67.1	69.4

*The ratios for June 30, 2014 have been calculated according to Basel 3 rules.

The ratios for June 30, 2013 and December 31, 2013 have been calculated according to Basel 2 rules.

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, 2014, NIS 3.438.