



Due to the impacts of the coronavirus outbreak:

**Leumi's Loan Portfolio was Up by 6.1% in the First Quarter of 2020
Compared to the Corresponding Period Last Year, Following an
Increase in Credit Extension to Retail and Business Customers in Light
of the Crisis;**

**Leumi Reports a Net Loss of NIS 232 Million (\$65 Million) in the First
Quarter of 2020;**

**Comprehensive Income in the First Quarter Totaled NIS 1,359 Million
(\$381 Million)**

The Quarter's loss stems from direct and indirect impacts of the coronavirus crisis, which led to a substantial increase in loan loss expenses and significant losses in the capital markets;

The rate of loan loss expenses, which is 1.2%, stems mainly from a collective provision

- ✓ Net loss in the first quarter of 2020 totaled NIS 232 million (\$65 million). The loss stems from a substantial increase in loan loss expenses due to an increase in the collective loan loss provision and losses on securities.

In this context, it should be noted that as of March 31, 2020 and up until the financial statements' publication date, there were significant increases in the capital markets, which mostly offset the losses on securities recorded in the first quarter of the year.

Net income in the corresponding period last year was NIS 1,092 million (\$306 million), and when excluding the effect of the sale of Leumi Card, the net income was NIS 879 million (\$247 million).

- ✓ Despite the net loss, comprehensive income in the first quarter of 2020 totaled NIS 1,359 million (\$381 million). The substantial gap between the comprehensive income in the first quarter and the net loss stems from the fact that in tandem with the said losses, there was a significant decrease in the pension liability during the first quarter, on the back of an increase in the discount interest rate.

The income from this liability decrease was directly credited to the Bank's shareholders' equity and is therefore not reflected in the said results; however, it will be reflected in profit and loss over the next years. It should be noted that after the reporting period and up until the financial



statements' publication date, alongside an increase in capital markets, the discount interest rate declined, resulting in an increase in the pension liability.

- ✓ In light of the substantial increase in loan loss expenses, and alongside the losses in capital markets, a 2.6% negative return on equity was recorded in the first quarter of 2020. Net return on equity in the corresponding period last year was a 12.7% (excluding the effect of the sale of Leumi Card, the return on equity was 10.1%).
- ✓ Growth in the loan portfolio – the Bank's loan portfolio, net, as at March 31, 2020 totaled NIS 294.5 billion (\$82.6 billion), a 6.1% increase compared to the same period last year. The commercial portfolio increased by 6.2%; the mortgage portfolio increased by 5.7% and the corporate portfolio increased by 15.6% (including real estate).
- ✓ Increase in deposits by the public – deposits by the public were up by 15% compared to the corresponding period last year. The increase stems, inter alia, from diversion of funds from capital markets to deposits, and an increase in deposits by institutional customers.
- ✓ Loan loss expenses in the first quarter of 2020 totaled NIS 860 million (\$241 million), of which NIS 756 million (\$212 million) in collective provision, which constituted 1.20% of the Bank's loan portfolio, compared to a negative rate of loan loss expenses (income) of 0.03% in the corresponding period last year. The significant increase in the rate of loan loss expenses stems from the effect of the changes in the macroeconomic environment and economic uncertainty against the backdrop of the coronavirus spread. The increase in the collective provision was designed to meet a possible increase in the specific provision in subsequent quarters this year, and a possible adverse development in the number of days in arrears.
- ✓ Non-interest finance income (expense) in the first quarter of 2020 totaled an expense of NIS 660 million (\$185 million), compared to an income of NIS 665 million (\$187 million) in the corresponding period last year (and compared to NIS 351 million – \$98 million – when excluding the effect of last year's sale of Leumi Card). Most of the expense in the first quarter of 2020 stems from the substantial volatility in capital markets in Israel and around the world due to the continuation of the coronavirus pandemic, which led to a decrease in the value of the Bank's financial assets in capital markets.

It should be noted that after the balance sheet date, there were increases in capital markets, which substantially offset the losses in securities recorded in the first quarter of the year.

- ✓ Net interest income in the first quarter of 2020 was up by NIS 49 million (\$14 million compared to the corresponding period last year, a 2.3% increase, which stems mainly from the increase in the loan portfolio.



- ✓ Total operating and other expenses in the first quarter of 2020 decreased by NIS 143 million (\$40 million) compared with the same period last year, a 7.3% decrease. Most of the decrease stems from a reduction in salaries and related expenses against the backdrop of provisions for bonuses, in light of the financial results. The efficiency ratio was 74.7%, following the losses reported in respect of non-interest finance income due to the spread of the coronavirus.
- ✓ Common Equity ratios were substantially higher than the regulatory requirement – Common Equity Tier 1 ratio as at March 31, 2020 was 10.84%, and the total capital ratio was 15.02%.
- ✓ Dividend and share buyback – during the first quarter of 2020, a NIS 297 million (\$83 million) dividend was distributed in respect of the income reported in the fourth quarter of 2019. In addition, by April 2020, the first stage of the Bank's share buyback plan was completed, totaling NIS 250 million (\$70 million). Following the guidance of the Bank of Israel, the Bank's Board of Directors decided to halt, at this stage, the dividend distribution and the continued execution of the share buyback plan.

Leumi's Activity Following the Coronavirus Crisis Aimed at Helping Customers Cope with Current Challenges:

- ✓ Coronavirus Business Fund – during the first quarter, and up until the financial statements' publication date, Leumi extended credit amounting to NIS 2.6 billion (\$730 million) as part of the state-backed fund for businesses.
- ✓ Assisting the third-age population – Leumi proactively assisted its third-age customers on several levels:
 - ✓ The Bank extended the activity of its mobile bank branches at nursing homes and assisted living facilities across Israel, including cash withdrawal services for residents by a clerk wearing protective gear.
 - ✓ The Bank sent debit cards to thousands of elderly customers whom did not have any credit card at their disposal, at no cost.
 - ✓ Elderly customers have been given preference at the call center and at all branches which were open during the crisis.
- ✓ Mortgages – upon the breakout of the crisis, Leumi took several initiatives in order to help its customers as much as possible:
 - ✓ Leumi was the first bank in Israel to offer its customers a grace period on their mortgage payments.
 - ✓ Leumi was the first bank in Israel to launch a "Total Digital Mortgage", enabling customers to take out a mortgage using purely digital channels, in a simple and friendly manner, with no need to physically visit a bank branch at any stage of the process.



- ✓ Leumi enabled customers to defer their first mortgage payment by two years, even for home buyers on unpaid leave.
- ✓ Expansion of digital operations – in light of the crisis, Leumi expanded the range of banking transactions offered through its digital channels, such as: opening an online account, taking out a digital mortgage, filing an online application for a grace period on mortgage loans, increasing the maximum amount allowed for check deposits through mobile phones to NIS 50,000, digital collateral for home buyers, expanding the range of vouchers that can be paid via self-service stations, providing more information through the interactive chatbot service, including up-to-date information on branch activity, scheduling appointments at branches and information on business loans through the state-backed fund.

Development of Balance Sheet Items:

- ✓ Shareholders' equity as at March 31, 2020 totaled NIS 36.2 billion (\$10.2 billion), compared with NIS 35.9 billion (\$10.1 billion) as at March 31, 2019.
- ✓ Net credit to the public as at March 31, 2020 totaled NIS 294.5 billion (\$82.6 billion), compared with NIS 277.5 billion (\$77.8 billion) as at March 31, 2019, a 6.1% increase. The increase is mainly attributed to mortgage, middle-market and corporate loans.
- ✓ Deposits by the public as at March 31, 2020 totaled NIS 418.6 billion (\$117.4 billion), compared with NIS 364.0 billion (\$102.1 billion) as at March 31, 2019, a 15% increase.
- ✓ Leverage ratio as at March 31, 2020 was 6.4%, compared to the 6% minimum required by the Bank of Israel.
- ✓ Liquidity coverage ratio as at March 31, 2020 was 128%, compared to the 100% minimum required by the Bank of Israel.



Leumi Group – Principal Data from the Financial Statements

Profit and Profitability (in NIS millions)

	For the three months ended March 31		Change in %	December 31 2019
	2020	2019		
Net interest income	2,169	2,120	2.3	8,841
Loan loss expenses (income)	860	(18)	+	609
Non-interest income	246	1,555	(84.2)	5,081
Operating and other expenses	1,803	1,946	(7.3)	7,908
(Loss) Profit before taxes	(248)	1,747	+	5,405
Provision (benefit) for taxes	(39)	621	+	1,830
(Loss) Profit after taxes	(209)	1,126	+	3,575
The Bank's share in losses of companies included on equity basis	(14)	(24)	41.7	(15)
Net income attributed to non-controlling interests	9	10	(10.0)	38
Net income (loss) attributed to shareholders of the banking corporation	(232)	1,092	+	3,522
Return on equity (%)	(2.6)	12.7	+	9.8
Earnings (loss) per share (NIS)	(0.16)	0.73	+	2.37

Development of Balance Sheet Items (in NIS millions)

	As at March 31		December 31 2019
	2020	2019	
Net credit to the public	294,486	277,546	282,478
Deposits by the public	418,627	364,019	373,644
Shareholders' equity	36,245	35,940	35,406
Total assets	532,449	456,487	469,134

Principal Financial Ratios (%)

	As at March 31		December 31 2019
	2020	2019	
Net credit to the public to total assets	55.3	60.8	60.2
Deposits by the public to total assets	78.6	79.7	79.6
Total equity to risk assets	15.02	15.07	15.67
Total Tier 1 equity to risk assets	10.84	11.65	11.88
Leverage ratio	6.42	7.32	7.34
Liquidity coverage ratio	128	129	123

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 March 31, 2020, NIS 3.565.