



# Press Release

August 16, 2022

## Strong Results for Leumi in the Second Quarter and First Half of 2022:

**Net income - NIS 2 billion (\$571 million) in the second quarter and NIS 3.6 billion (\$1.03 billion) in the first half of the year**

**Return on equity - 18.5% in Q2 and 17.1% in H1**

**Credit portfolio - 12.3% growth in H1**

**Further improvement in the efficiency ratio - 35% for Q2 and 39.7% for H1 2022**

**Leumi to distribute a NIS 400 million (\$114 million) dividend**

- > **Net income** in the second quarter of 2022 reached NIS 2 billion (\$571 million), compared to NIS 1.7 billion (\$486 million) in the corresponding quarter last year. Net income in the first half of 2022 reached NIS 3.6 billion (\$1.03 billion), compared to NIS 3 billion (\$857 million) in the corresponding period last year.
- > **Return on equity** in the second quarter of 2022 was 18.5%, compared with 16.8% in the corresponding quarter last year. Return on equity in the first half of 2022 was 17.1%, compared with 15.5% in the corresponding period last year.
- > **Efficiency ratio** in the second quarter of 2022 was 35%, compared with 42% in the corresponding quarter last year. The efficiency ratio in the first half of 2022, net of the results of Leumi USA, was 39.7%, compared with 45% in the corresponding period last year. The efficiency ratio during the reporting period and the second quarter of 2022 was affected by the merger of Leumi USA with Valley National Bank.
- > **Finalized merger between Leumi USA and Valley Bank** - On April 1, 2022, the merger between Leumi USA and Valley National Bank was completed. As a result of the merger, a profit of NIS 645 million (\$184 million), net of tax, was recorded (out of this amount, NIS

194 million - \$55 million - was recorded during the first quarter of 2022, with the balance being recorded in the second quarter).

- > **Dividend** - Leumi will distribute a NIS 400 million dividend (\$114 million), which represents 20% of the net income for the second quarter of 2022.
- > **Growth in the credit portfolio** - the Bank continues to focus its growth on the credit portfolio in the corporate, commercial and mortgage segments. During the first half of the year, the credit portfolio grew by 12.3%.
- > **Loan loss expenses (income)** in the first half of 2022, net of the results of Leumi USA, reflect an expense rate of 0.04% of the average outstanding loans to the public, compared to an income rate of 0.26% in the corresponding period last year. The loan loss expense during the first half of the year stems from an increase in the collective provision, which was offset by collections.
- > **Net interest income** in the first half of 2022, net of the results of Leumi USA, reached NIS 5.8 billion (\$1.7 billion), compared to approx. NIS 4.7 billion (\$1.3 billion) in the corresponding period last year, a 23% increase. The increase stems from a growth in the Bank's credit portfolio and from gaps in the CPI and interest rates from one period to another.
- > **Non-interest finance income** in the first half of 2022, net of the results of Leumi USA, reached NIS 0.7 billion (\$200 million), compared to approx. NIS 1 billion (\$286 million) in the corresponding period last year. The income during the reporting period was mainly affected by the profit from Leumi USA's merger with Valley National Bank and from market declines.
- > **Total operating and other expenses** in the first half of 2022, net of the results of Leumi USA, were down by NIS 116 million (\$33 million) compared with the same period last year, a 3.4% decrease.
- > **Capital ratios** - Common Equity Tier 1 capital ratio as at June 30, 2022 was 11.25%, and the total capital ratio was 14.00%.
- > **Sale of Leumi's HQ in Tel Aviv ('Beit Mani')** - As part of the preparations to complete the transition of the Bank's headquarters to Lod in 2023, during April 2022 the Bank entered into an agreement to sell one of its headquarters buildings in Tel Aviv. This sale is expected to generate a pre-tax capital gain of NIS 524 million (\$150 million), to be recorded in 2023.

### **Development of balance sheet items<sup>(a)</sup>:**

- > **Shareholder's equity** as at June 30, 2022 totaled NIS 47.1 billion (\$13.5 billion), compared to NIS 40.8 billion (\$11.7 billion) as at June 30, 2021.
- > **Net loans to the public** as at June 30, 2022 totaled NIS 365 billion (\$104 billion), compared with NIS 298 billion (\$85 billion) as at June 30, 2021, a 22.5% increase. Most of the increase is due to mortgage, middle-market and corporate loans.
- > **Deposits by the public** as at June 30, 2022 totaled NIS 533 billion (\$152 billion), compared with NIS 464 billion (\$133 billion) as at June 30, 2021, a 14.9% increase.

## Leumi Group – Principal Data from the Financial Statements

### Profit and Profitability (in NIS millions)

	For the six months ended June 30		Change in NIS Millions	Change in %
	2022	2021		
Net Interest income	6,024	5,122	902	17.6
Loan loss expenses (income)	86	(370)	456	+
Non-interest income	2,507	2,906	(399)	(13.7)
Operating and other expenses	3,435	3,697	(262)	(7.1)
Profit before tax	5,010	4,701	309	6.6
Provision for tax	1,490	1,703	(213)	(12.5)
Profit after tax	3,520	2,998	522	17.4
Bank's share in associates' profits	91	29	62	+
Net income attributable to non-controlling interests	(10)	(20)	10	50.0
Net income attributable to the banking corporation's shareholders	3,601	3,007	594	19.8
Return on equity (%)	17.1	15.5		
Earnings per share (NIS)	2.47	2.07		

### Development of Balance Sheet Items (in NIS millions) <sup>(a)</sup>

	As at June 30		December 31 2021
	2022	2021	
Net Loans to the public	364,924	297,827	324,956
Deposits by the public	532,737	463,625	514,968
Shareholders' equity	47,060	40,848	41,610
Total assets	667,680	572,466	632,802

### Principal Financial Ratios (%)

	As at June 30		December 31 2021
	2022	2021	
Net loans to the public to total assets <sup>(a)</sup>	54.7	52.0	51.4
Deposits by the public to total assets <sup>(a)</sup>	79.8	81.0	81.4
Total equity to risk assets	14.00	14.93	14.21
Total Tier 1 equity to risk assets	11.25	11.98	11.50
Leverage ratio	6.25	6.45	6.06
Liquidity coverage ratio	122	129	124

a. The data does not include the balances of Leumi USA, which - as of April 1, 2022 - is not consolidated in the Bank's financial statements, due to the merger transaction with Valley National Bank.

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 June 30, 2022, NIS 3.50.