

## Leumi Reports a Return on Equity of 10.3% in the Third Quarter of 2017

### Return on Equity in the First Nine Months of 2017 Reached 9.7%

#### The Bank increases the dividend payout ratio from 20% to 40%

- > **High Return on Equity** – further to past quarters, in the third quarter of 2017 the Bank reported a significant improvement in the return on equity from core business activities: an increase in income alongside a significant decrease in expenses.
- > **Net income** in the first nine months of 2017 reflects a return on equity of 9.7% and a return on equity of 10.3% in the third quarter of 2017.

Net income in the first nine months of 2017 totaled NIS 2,318 million (\$657 million), while net income in the third quarter of 2017 totaled NIS 820 million (\$232 million). Net income in the corresponding period last year included several material non-recurring items: the sale of Visa Europe, the insurance refund in respect of the settlement regarding U.S. Customers, one-time salary expenses and non-recurring tax income. When excluding these items, the return on equity in the first nine months last year was 8.6% and 9.4% in the corresponding quarter last year.

- > **Increase in the dividend payout ratio** – the Bank's Board of Directors approved a change in the dividend policy, from a payout ratio of 20% to up to 40% of the profit. In light of third quarter earnings, the Bank will distribute a dividend of 40% amounting to NIS 328 million (\$93 million), reflecting an annual dividend yield of 4.6%. From the beginning of 2017 dividend payments totaled NIS 628 million (\$178 million).
- > **Common equity tier I capital ratio** at September 30, 2017 reached 11.35%.
- > **Leumi continues to maintain the highest quality loan portfolio in the Israeli banking system** – in the first nine months of 2017 the provision for credit losses stood at a rate of only 0.07%, while credit loss expenses in the third quarter of 2017 amounted to zero (0).
- > **Continuing trend of cost cutting** – salary expenses in the first nine months of 2017 decreased by 7.5% compared with the corresponding period last year, and by 6.6% in the third quarter of 2017 compared with the corresponding period last year. Total operating expenses in the first nine months and in the third quarter of 2017 decreased by 5% compared with the corresponding periods last year (excluding non-recurring items recorded last year, mainly the one-time bonus in respect of the collective wage agreement and the insurance refund).



- > **Net interest income** in the first nine months of 2017 increased by 5% compared with the corresponding period last year. Net interest income in the third quarter of 2017 decreased by 2.6% compared with the corresponding period last year. The decrease was due to the negative CPI of 0.5% recorded in the third quarter of 2017, as compared to the positive CPI of 0.4% recorded in the corresponding period last year.

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

- > Leumi continues to lead the digital banking field in Israel, while expanding the activities of 'Pepper' and 'Pepper Pay' to customers of all banks.
- > The Bank continues to implement efficiency – during the fourth quarter of 2017 an additional significant reduction in the workforce is expected, following a significant reduction in the Group's workforce in the past five years.
- > The Bank continues to selectively grow its loan portfolio, while maintaining a balanced risk management policy. Net loans to the public as of September 30, 2017 increased by NIS 4.4 billion (\$1.2 billion) compared with December 31, 2016. Excluding the effect of the shekel appreciation, the increase in loans amounted to NIS 6.7 billion (\$1.9 billion).

#### **Balance Sheet Parameters:**

- > **The Group's total shareholders' equity** as of September 30, 2017 amounted to NIS 32.8 billion (\$9.3 billion), compared with NIS 31.3 billion (\$8.9 billion) as of December 31, 2016 (an increase of 4.6%).
- > **The leverage ratio** as of September 30, 2017 reached 7.03%, compared to the Bank of Israel's minimal threshold of 6%.
- > **The liquidity coverage ratio** as of September 30, 2017 reached 122%, compared to the Bank of Israel's minimal threshold of 100%.
- > **Net loans to the public** as of September 30, 2017 amounted to NIS 266.4 billion (\$75.5 billion), compared with NIS 262.0 billion (\$74.2 billion) as of December 31, 2016.
- > **Deposits from the public** as of September 30, 2017 amounted to NIS 350.2 billion (\$99.2 billion), compared with NIS 346.9 billion (\$98.3 billion) as of December 31, 2016.



## Leumi Group - Principal Data from the Financial Statements

### Profit and Profitability (NIS millions)

	For the nine months ended September 30			For the year ended December 31
	2017	2016	Change in %	2016
Net interest income	5,956	5,659	5.2	7,526
Credit loss expenses (income)	146	(171)	+	(125)
Net interest income after credit loss expenses	5,810	5,830	(0.3)	7,651
Noninterest income	3,813	4,084	(6.6)	5,408
Operating and other expenses	6,146	6,300	(2.4)	8,580
Net income due to shareholders of the Bank	2,318	2,348	(1.3)	2,791

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

	September 30			December 31	
	2017	2016	Change in %	2016	Change in %
Net loans to the public	266,358	264,368	0.8	261,957	1.7
Total assets	439,232	431,758	1.7	438,603	0.1
Deposits of the public	350,201	336,851	4.0	346,854	1.0
Shareholders' equity	32,793	31,228	5.0	31,347	4.6
Assets under management of the Group	1,373,970	1,243,717	10.5	1,262,415	8.9

### Principal Financial Ratios (%)

	September 30		December 31
	2017	2016	2016
Net loans to the public to total balance sheet	60.6	61.2	59.7
Deposits from the public to total balance sheet	79.7	78.0	79.1
Deposits from the public to net loans to the public	131.5	127.4	132.4
Total equity to risk-weighted assets	15.08	15.04	15.21
Common equity tier 1 capital to risk-weighted assets	11.35	10.86	11.15
Leverage ratio	7.03	6.81	6.77
Liquidity coverage ratio	122	130	132
Expenses for credit losses to net loans to the public	0.07	(0.09)	(0.05)
Of which: expenses for collective allowance to net loans to the public	0.17	0.24	0.24
Interest spread	1.83	1.76	1.75
Operating and other expenses to total income	62.9	64.7	66.3

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 September 30, 2017, NIS 3.529.