



November 17 2020

Leumi Reports Net Income of NIS 750 Million (\$218 Million) and ROE of 8.4% in Q3 2020

Loan loss expense rate in Q3 2020 was 0.76%, resulting solely from an increase in the collective provision on the back of uncertainty surrounding future implications of the continuing coronavirus crisis

Tier 1 Capital Adequacy Ratio was 11.71%

- > **Net income** in the third quarter of the year was NIS 750 million, similarly to the same period last year (NIS 765 million).

Net income in the first nine months of 2020 reached NIS 1.2 billion (\$349 million), compared to NIS 2.8 billion (\$814 million) in the same period last year.

The decrease in net income in the first nine months resulted mainly from the significant increase in loan loss expenses, all of which arise from an increase in the collective loan loss provision and a decrease in noninterest finance income on the back of the coronavirus crisis.

- > **Return on equity** in the third quarter of 2020 was 8.4%, compared with 8.7% in the same period last year. Return on equity in the first nine months of 2020 was 4.5%, compared with 10.4% in the same period last year (9.6% last year net of the effect of the sale of Leumi Card).
- > **Loan loss expense** in the third quarter amounted to NIS 547 million compared to a total of NIS 181 million in the same period last year, on the back of the collective provision. The loan loss provision in the third quarter of the year was 0.76% (0.26% last year) compared to a rate of approximately 1.2% in the first half of the year.

The loan loss expense in the first nine months of the year totaled NIS 2.3 billion compared to a total of NIS 0.5 billion in the same period last year, with 88% of the



expense in the reporting period arising from an increase in the collective loan loss provision.

The significant increase in the loan loss expense rate stems from the effect of the changes in the macroeconomic environment, on the back of a second substantial surge in Israel and the subsequent lockdown, which further deepened the effect of the economic crisis and the uncertainty regarding its effect of the Israeli and global economy.

- > **Noninterest finance income** in the third quarter of the year totaled NIS 457 million compared to NIS 305 million last year. Income for the quarter included NIS 92 million (before tax) from a revaluation of Visa US equity.

Noninterest finance income in the first nine months of the year totaled NIS 487 million compared to NIS 1,303 million in the corresponding period last year (NIS 989 million last year net of the sale of Leumi Card). Most of the decrease stems from losses recorded in the item in the first quarter of the year, on the back of decreases in capital markets and the effect of derivatives and exchange rate differentials. In addition to the gain on the sale of Leumi Card, revenues in the corresponding period last year included a total of NIS 123 million on the sale of Super-Pharm and Automated Banking Services Ltd. (ABS).

- > **Operating and other expenses in the third quarter** totaled approximately NIS 1.7 billion, a 9.7% year-on-year decrease. The efficiency ratio was 50.4 percent. The decrease stems from salary expenses and other operating expenses.

Operating and other expenses in the first nine months of the year totaled NIS 5.2 billion, a 10.5% year-on-year decrease. The operating efficiency ratio improved, reaching 55%.

- > **CET1 capital ratio significantly higher than the regulatory requirement** - Common Equity Tier 1 capital ratio as at September 30 2020 was 11.71%, and total capital ratio was 15.81%.
- > **Growth in the loan portfolio** - the Bank continues to focus its growth efforts on the loan portfolio in the corporate, middle-market and mortgage loan segments. The corporate loan portfolio grew at a rate of 6.4% in the past year; the middle-market portfolio grew by 5.2% and the mortgage portfolio grew by 5.8%.
- > **Deposits from the public** were up by 18.7% year-on-year, totaling NIS 427.1 billion, compared to NIS 359.9 billion in the same period last year.



Leumi supports its customers during the coronavirus crisis:

- > **Credit to businesses** - from the outbreak of the crisis until shortly before the publication date of the financial report, Leumi approved NIS 5.7 billion in business loans as part of the state-backed loan fund for businesses hurt by the coronavirus crisis and the loan fund for high-risk businesses. Out of this amount, approximately NIS 3.2 billion were extended to small businesses.
- > **Moratorium on loans to small businesses** - as of September 30 2020, Leumi deferred current repayments of loans to small businesses in the amount of NIS 500 million, for loans totaling NIS 4.6 billion. As of September 30 2020, repayments for approx. 54% of the deferred loans to small businesses resumed.
- > **Loan moratorium** - as of September 30 2020, Leumi deferred current mortgage loan repayments in the amount of NIS 374 million, the deferment period of which has yet to end. The total amount of deferred mortgages at Leumi as of September 30 2020 was NIS 9.2 billion. In addition, the deferment period on mortgages amounting to NIS 11.7 billion has ended. As of shortly before the financial report publication date, only 10% of the mortgage loans are still with the status of deferred loans.

Development of Balance Sheet Items:

- > **Equity attributable to the Bank's shareholders** as at September 30 2020 totaled NIS 37.1 billion compared to NIS 35.1 billion as at September 30 2019.
- > **Loans to the public, net** totaled NIS 286.4 billion as at September 30 2020, compared with NIS 280.4 billion as at September 30 2019, a 2.1% increase. Most of the increase is due to mortgage loans, mid-market businesses and corporations. Loans to the public, net, less loans of institutionals, was up by 2.9%.
- > **Deposits by the public** totaled NIS 427.1 billion as at September 30 2020, compared with NIS 359.9 billion as at September 30 2019, a 18.7% increase.
- > **Leverage ratio** as at September 30 2020 was 6.66 percent.
- > **Liquidity coverage ratio** as at September 30 2020 was 137%, compared to the 100% minimum required by the Banking Supervision Department.



Leumi Group - Principal Data from the Financial Statements

Profit and profitability (in NIS millions)

	For the nine months ended September 30		Change in %	For the year ended December 31 2019
	2020	2019		
Interest income, net	6,506	6,678	(2.6)	8,841
Loan loss expenses	2,282	451	+	609
Noninterest income	2,980	3,881	(23.2)	5,081
Operating and other expenses	5,221	5,832	(10.5)	7,908
Profit before tax	1,983	4,276	(53.6)	5,405
Provision for taxes	752	1,444	(47.9)	1,830
Profit after taxes	1,231	2,832	(56.5)	3,575
Bank's share in associates' losses	(5)	(22)	77.3	(15)
Net income attributable to non-controlling interests	14	30	(53.3)	38
Net income attributable to the banking corporation's shareholders	1,212	2,780	(56.4)	3,522
Return on equity (%)	4.5	10.4		9.8
Earnings per share (NIS)	0.83	1.87		2.37

Development of balance sheet items (in NIS millions)

	As at September 30		December 31
	2020	2019	2019
Loans to the public, net	286,374	280,374	282,478
Deposits by the public	427,115	359,896	373,644
Shareholders' equity	37,128	35,144	35,406
Total assets	528,050	455,117	468,781

Principal financial ratios (%)

	As at September 30		December 31
	2020	2019	2019
Loans to the public, net, to total assets	54.2	61.6	60.3
Deposits by the public to total assets	80.9	79.1	79.7
Total equity to risk-weighted assets	15.81	15.55	15.67
Total Tier 1 equity to risk-weighted assets	11.71	11.73	11.88
Leverage ratio	6.66	7.40	7.35
Liquidity coverage ratio	137	121	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 September 30, 2020, NIS 3.441.