

Leumi reports a net profit of NIS 3.2 billion (\$922 million) in 2017, return on equity reached 9.8%

Return on equity in the fourth quarter of 2017 reached 10.8%

Total dividend payments in respect of 2017 reached some NIS 1 billion (\$288 million)

The Bank announces a share buyback plan in the amount of up to NIS 700 million (\$202 million)

- > High return on equity – Return on equity increased to 9.8% in 2017. The increase mainly resulted from core business activities – an increase in income alongside a decrease in expenses. Return on equity in the fourth quarter of 2017 reached 10.8%.
- > Net profit of NIS 3.2 billion (\$922 million) in 2017, compared with NIS 2.8 billion (\$808 million) in 2016, reflecting an increase of 13.7%. Net profit in the fourth quarter of 2017 totaled NIS 854 (\$246 million).

When excluding non-recurring items, the return on equity in 2017 was 9.3% compared to 8.4% in the corresponding period last year. Non-recurring items: in 2017 – mainly the profit from a property sale in light of efficiency processes. In 2016 – income from the sale of Visa Europe, income from the insurance refund in respect of the settlement regarding U.S. Customers, one-time salary expenses and non-recurring tax expenses.

- > Common equity tier I capital ratio at December 31, 2017 reached 11.43%.
- > The Bank announces a share buyback plan in the amount of up to NIS 700 million (\$202 million).
- > The Bank's Board of Directors approved the distribution of a dividend comprising 40% of the net income of the fourth quarter of 2017, amounting to NIS 342 million (\$99 million). The accumulated dividend for 2017 totaled NIS 969 million (\$279 million).
- > Increase in income – In 2017, net interest income and non-interest income increased by 4.2% compared with the corresponding period last year.



- > Decrease in expenses – In 2017, salary expenses decreased by NIS 150 million (\$43 million) compared with the corresponding period last year, reflecting a decrease of 2.8%. The Bank's workforce decreased by 435 employees in 2017, while the workforce decreased by over 2,900 employees in the past 6 years. Operating and other expenses, when excluding the insurance refund reported last year, decreased by 4.8%.

Leumi continues to maintain the highest quality loan portfolio in the Israeli banking system – The Bank continues to implement a cautious credit policy, as in recent years. This policy is reflected in a credit loss rate of only 0.06% in 2017.

In Accordance with the Bank's Strategy:

- > Leumi continues to lead the digital banking field in Israel. Alongside the development of 'Leumi Digital', the Bank successfully launched 'Pepper' in 2017, offering a unique and groundbreaking banking experience, which is expected to further expand its operations in 2018.
- > Leumi continues to lead the Israeli high-tech banking sector through 'LeumiTech', which today handles the financial operations of over 60% of Israel's high-tech companies.
- > The Bank continues to selectively grow its loan portfolio, while maintaining a balanced risk management policy. Net loans to the public as of December 31, 2017 increased by NIS 6 billion (\$1.7 billion) compared with December 31, 2016. When excluding the effect of the shekel appreciation, the increase in loans amounted to NIS 9 billion (\$2.6 billion).

Additional events expected during 2018:

- > The establishment of an Operations Department – the Bank is conducting a strategic examination of centralizing the operations of various Bank units during 2019, within a dedicated Operations Division which will offer services to all business lines. Within this framework, the Bank is currently setting up an Operations Department within the Retail Banking Division, which will incorporate additional units from other divisions.
- > Appointment of accountants – the Bank's Audit Committee, in coordination with the Bank of Israel, has decided to initiate a new procedure in 2018, to appoint independent auditors for the Bank for the year 2019 or 2020. The decision was made, inter alia, following the intensive procedure to select the Bank's auditors for 2018, which was extensive and complex.



- > The Bank's share buyback plan – On March 5, 2018, the Bank's Board of Directors approved a plan to buyback the Bank's shares for a total of up to NIS 700 million (\$202 million), from April 1, 2018 to March 31, 2019. The buyback is subject to meeting – at each buyback date – a Tier 1 equity ratio of no less than 10.9%, in accordance with the most recent financial statements, after having taken into account the buyback plan.

An improvement in balance sheet parameters:

- > The Group's total shareholders' equity as of December 31, 2017 amounted to NIS 33.2 billion (\$9.6 billion), compared with NIS 31.3 billion (\$9.0 billion) as of December 31, 2016, an increase of 5.8%.
- > The leverage ratio as of December 31, 2017 reached 6.94%, compared to the Bank of Israel's minimal threshold of 6%.
- > The liquidity coverage ratio as of December 31, 2017 reached 122%, compared to the Bank of Israel's minimal threshold of 100%.
- > Net loans to the public as of December 31, 2017 increased to NIS 268.0 billion (\$77.3 billion), compared with NIS 262.0 billion (\$75.6 billion) as of December 31, 2016.
- > Deposits from the public as of December 31, 2017 increased to NIS 362.5 billion (\$104.6 billion), compared with NIS 346.9 billion (\$100.1 billion) as of December 31, 2016.



Leumi Chairman of the Board of Directors, David Brodet:

“Leumi Group’s 2017 Annual Report indicates that we are reaping the fruits of the strategy laid down by the Board of Directors, and which has been remarkably implemented by the Group’s managers and employees: a strategy based on a long-term vision, consistency, determination and audacity. When the bulk of revenues and profits come from our core businesses, we know we are on the right path. Moreover, Leumi has resumed – for the first time in six years – to distribute a dividend of up to 40% of the net profit. This distribution has become possible thanks to the fact that we have impressively met the targets and challenges we set ourselves.

The negative real interest rate in Israel this past year has amounted to minus 0.2%. It may be expected that the process of normalization of increasing the Bank of Israel’s interest rate will proceed at a measured and even slow pace in the coming years. It will be influenced by the degree to which the economic recovery will proceed in Israel and worldwide. A first increase in the interest rate can be expected toward the end of 2018”.



Leumi President & CEO, Rakefet Russak-Aminoach:

“The global banking industry is undergoing waves of far-reaching changes, altering its business model as well as the face of the entire financial landscape. In order to adapt Leumi to the ever-changing environment, we have outlined a clear strategy and in accordance we are leading a process of transformation which is producing a profound, lasting improvement in our existing activity; at the same time, we are investing in innovation and development of capabilities tailored to the dynamic banking industry. We were the first to invest in digital banking and the first to launch ‘Pepper’.

A consistent and precise implementation of our strategy enabled us to present yet another year of outstanding results. These results reflect a steady and continuous improvement in our core activity, in all business lines.

These results, alongside our capital growth, have enabled us to distribute a dividend in respect of 2017 amounting to approximately NIS 1 billion. In addition, Leumi has announced a new share buyback plan in the amount of up to NIS 700 million. No other step speaks so clearly of the Executive Management and Board’s confidence in the Bank’s strength and in the strategic plan we have set forth for the coming years.

Leumi, with a clear business focus, a robust capital adequacy, a high return on equity from its core business and the best workforce in the Israeli banking system, is ideally positioned to continue rolling out our vision: leading proactive and innovative banking for the benefit of our customers”.



Leumi Group – Principal Data from the Financial Statements

Profit and Profitability (in NIS millions)

	For the year ended December 31			
	2017	2016	Change	
			NIS millions	%
Net interest income	8,046	7,526	520	6.9
Credit loss expenses (income)	172	(125)	297	+
Non-interest income	5,428	5,408	20	0.4
Operating and other expenses	8,501	8,580	(79)	(0.9)
Profit before taxes	4,801	4,479	322	7.2
Provision for tax	1,692	1,717	(25)	(1.5)
Profit after tax	3,109	2,762	347	12.6
The Bank's share in profits (losses) of companies included on equity basis	92	66	26	39.4
Net profit attributed to non-controlling interests	(29)	(37)	8	21.6
Net profit attributed to shareholders of the banking corporation	3,172	2,791	381	13.7
Return on equity (in %)	9.8	9.3		
Profit per share (NIS)	2.08	1.85		

Development of Balance Sheet Items (in NIS millions)

	As at December 31	
	2017	2016
Credit to the public, net	267,952	261,957
Deposits of the public	362,478	346,854
Shareholders' equity	33,167	31,347
Total assets	450,838	438,603

Principal Financial Ratios (%)

	As at December 31	
	2017	2016
Credit to the public, net, to total assets	59.4	59.7
Deposits of the public to total assets	80.4	79.1
Total equity to risk assets	15.02	15.21
Total Tier 1 equity to risk assets	11.43	11.15
Leverage ratio	6.94	6.77
Liquidity coverage ratio	122	132
Expenses (income) in respect of credit losses out of net credit to the public, net	0.06	(0.05)
Of which: expenses in respect of collective allowance	0.19	0.24
Expenses (income) in respect of credit losses out of total risk of credit to the public	0.04	(0.03)
Total operating and other expenses to total income (efficiency ratio)	63.1	66.3
Net interest margin (NIM)	2.05	1.94

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 December 31, 2017, NIS 3.467.