



Press Release

March 9, 2022

Leumi Reports 2021 Record-High Results with Dividend to Reach a Total of Approx. NIS 2.6 Billion (\$836 Million):

Impressive growth in the credit portfolio - 16.1%

Substantial improvement in the efficiency ratio - 46.8%

Return on equity - 15%

The Bank's Board of Directors approved a NIS 588 million (\$189 million) dividend distribution, in addition to a NIS 2 billion (\$643 million) dividend for the first nine months of the year

Following its adoption of an ESG strategy, Leumi is publishing - for the first time - long-term quantitative targets and indicators

- > **Net income** for 2021 reached approximately NIS 6 billion (\$1.9 billion), compared with NIS 2.1 billion (\$675 million) in 2020. **Net income** in Q4 2021 reached NIS 1.5 billion (\$482 million), compared to NIS 0.9 billion (\$289 million) in the same period last year.
- > **Return on equity** in 2021 reached 15%, compared to 5.7% in 2020. Return on equity in Q4 2021 was 14.8%, compared to 9.8% in the same period last year. The substantial increase in ROE is mainly due to a material increase in income alongside a moderate increase in expenses, and a decrease of the loan loss provision compared to a significant increase in the loan loss expense in the same period last year.

- > **Dividend** - The Bank's Board of Directors approved a NIS 588 million (\$189 million) dividend distribution, which constitutes 40% of the net income for Q4 2021, in addition to the distribution of a NIS 2 billion (\$643 million) dividend in the second half of the year.
- > **Growth in the credit portfolio** - the Bank continues to focus its growth on the credit portfolio in the corporate, commercial and mortgage segments. In 2021, the credit portfolio grew by a total of 16.1%; the corporate portfolio was up 20%; the commercial portfolio was up 15.2% and the mortgage portfolio grew at a rate of 14.5%. In addition, thanks to the use of advanced models and digital platforms, retail credit was up 10%.
- > **Loan loss expenses (income)** - in 2021, the Bank recorded an income of 0.25% of the average outstanding loans to the public, compared to a 0.88% expense in 2020. Income during 2021 arises from the specific provision - mainly as a result of collections - and from the collective provision, on the back of the economic expansion, the drop in COVID-19 related illness and the improved macro-economic parameters. In the fourth quarter of 2021, an income of 0.1% of the average outstanding loans to the public was recorded, compared to a 0.37% expense in the same quarter last year. Income for the fourth quarter stems mainly from collections.
- > **Net interest income** in 2021 totaled NIS 10.3 billion (\$3.3 billion), a 18.6% increase compared to 2020. The increase in the interest income stems primarily from the increase in the Bank's loan portfolio and from gaps in the CPI from one period to another, which were partly offset by the effects of the decrease in the Federal Reserve's interest rate and the interest rate of the Bank of Israel.
- > **Non-interest finance income** reached NIS 1.7 billion (\$547 million) in 2021, compared to approximately NIS 1 billion (\$322 million) in 2020. The increase stems mainly from the sale of Retailors and ironSource shares, as well as the effect of derivatives and exchange rate differentials.
- > **The efficiency ratio** for 2021 was down to 46.8%, compared with 53.8% in 2020. Efficiency ratio in the fourth quarter of the year was 47.9%, compared with 50.7% in the same quarter last year.
- > **Operating and other expenses** in 2021 were up by NIS 382 million (\$123 million) compared with 2020, a 5.4% increase, mostly on the back of provisions for bonuses in accordance with the financial results. Other operating expenses were down 3.6%.

- > **Capital ratios** - Common Equity Tier 1 capital ratio as at December 31, 2021 was 11.50%, and total capital ratio was 14.21%.
- > **Overseas operations** - Leumi continues to grow its overseas credit portfolio, while substantially mitigating its compliance and regulatory risks: in the US, an agreement was signed to merge Leumi USA with Valley National Bank. Once completed, credit participation transactions are also expected; in Europe - it has been decided to focus on providing credit to business and commercial customers. Therefore, the Bank is in the process of returning its banking license in the UK, while shifting business operations towards becoming a credit company.
- > Following its adoption of an ESG (Environmental, Social and Governance) strategy, Leumi is publishing - for the first time - long-term quantitative targets and indicators. The target set for "Green Credit" is NIS 35 billion (\$11 billion) by 2030.

Development of balance sheet items:

- > **Shareholders' equity** as at December 31, 2021 totaled NIS 41.6 billion (\$13.4 billion) compared to NIS 37.7 billion (\$12.1 billion) as at December 31, 2020.
- > **Net loans to the public** as at December 31, 2021 totaled NIS 343 billion (\$110 billion) compared to NIS 295 billion (\$95 billion) as at December 31, 2020, a 16% increase. Most of the increase is due to mortgage, middle-market and corporate loans.
- > **Deposits by the public** as at December 31, 2021 totaled NIS 537 billion (\$173 billion) compared to NIS 447 billion (\$144 billion) as at December 31, 2020, a 20% increase.

Chairman of Bank Leumi, Dr. Samer Haj Yehia:

"The record-high results in the past year derive from a constant update of our service model. Leumi has vowed to create an innovative, dynamic system which provides our customers with the most convenient service, using every mean - anytime and anywhere, while adapting ourselves to an ever-changing environment full of challenges and opportunities.

This year, we have chosen to publish our ESG Report alongside the financial statements, because as far as we are concerned, they are two parts of the same whole.

The ESG report shows that we are updating our credit and investment policy to create a green environment and support social initiatives which strengthen the values of tolerance, fairness and equal opportunity - within the entire population.

To keep thriving, we invest in our bankers and promote an organizational culture of excellence, creativity, fairness, innovation and responsibility. I cherish, from the bottom of my heart, the professional and dedicated work of our managers and employees. At the same time, I am grateful to our customers and investors for their ongoing faith in our way".

President & CEO of Bank Leumi, Mr. Hanan Friedman:

"The implementation of our strategy, alongside the digital tools and advanced models we have assimilated in the Bank, are reflected in our performance in the past year.

The impressive growth we present is mainly based on adapting our service model to the tastes of our customers, both private and business, in addition to implementing state-of-the-art technologies and data tools to address their needs.

We have achieved all this thanks to our human capital. We are in the process of changing our organizational culture, which emphasizes excellence, and accordingly rewards our dedicated employees in line with our business goals. I am confident that this will enable us to continue providing our customers with the most convenient service and continue to be the most advanced and leading bank in Israel."

Leumi Group – Principal Data from the Financial Statements

Profit and Profitability (in NIS millions)

	For the year ended December 31		Change in NIS Millions	Change in %
	2021	2020		
Net Interest income	10,346	8,723	1,623	18.6
Loan loss expenses (income)	(812)	2,552	(3,364)	
Non-interest income	5,511	4,366	1,145	26.2
Operating and other expenses	7,428	7,046	382	5.4
Net income before taxes	9,241	3,491	5,750	+
Provision for taxes	3,275	1,356	1,919	+
Profit after taxes	5,966	2,135	3,831	+
Bank's share in associates' profits (losses)	101	(13)	114	+
Net income attributable to non-controlling interests	(39)	(20)	(19)	95.0
Net income attributable to the banking corporation's shareholders	6,028	2,102	3,926	+
Return on equity (%)	15.0	5.7		9.3
Earnings per share	4.15	1.44	2.71	+

Development of Balance Sheet Items (in NIS millions)

	As at December 31		Change in %
	2021	2020	
Net Loans to the public	342,879	295,341	16.1
Deposits by the public	537,269	447,031	20.2
Shareholders' equity	41,610	37,664	10.5
Total assets	656,454	556,035	18.1

Principal Financial Ratios (%)

	As at December 31	
	2021	2020
Net loans to the public to total assets	52.2	53.1
Deposits by the public to total assets	81.8	80.4
Total equity to risk assets	14.21	15.58
Total Tier 1 equity to risk assets	11.50	11.87
Leverage ratio	6.06	6.57
Liquidity coverage ratio	124	137

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 December 31, 2021, NIS 3.11.