



Leumi Reports a Return On Equity of 11.3% in the Second Quarter of 2017

Return on equity in the first half of 2017 reached 9.6%

The Bank will distribute a dividend of NIS 175 million (\$50 million) based on second quarter earnings

- > Net income in the first half of 2017 totaled NIS 1,498 million (\$429 million), while net income in the second quarter of 2017 totaled NIS 876 million (\$251 million). The increase in profitability is reflected in most core business activities.
- > Net income in the first half of 2017 reflects a return on equity of 9.6%. Net income in the corresponding period last year included one-time profits mainly from the sale of Visa Europe. When excluding these profits, the return on equity in the corresponding period last year reached 8.4%.
- > A significant improvement in the efficiency ratio – 62.2% in the first half of 2017, compared with 69.4% in the corresponding period last year. The efficiency ratio in the second quarter of 2017 was 59.7%, compared with 65.9% in the corresponding period last year.
- > Leumi continues to maintain the highest quality loan portfolio in the Israeli banking system – credit loss expenses in the first half of 2017 reflected 0.11% of the bank's portfolio, while credit loss expenses in the second quarter of 2017 reflected 0.06% of the portfolio.
- > Common equity tier I capital ratio in the first half of 2017 reached 11.21%, while the total capital ratio reached 14.99%.
- > The Bank will distribute a dividend of NIS 175 million (\$50 million) based on second quarter earnings. From the beginning of 2017 dividend payments totaled NIS 300 million (\$86 million).
- > Net interest income in the first half of 2017 increased by 9.5% compared with the corresponding period last year. Net interest income in the second quarter of 2017 increased by 6.4% compared with the corresponding period last year.
- > Noninterest financing income in the first half of 2017 totaled NIS 452 million (\$129 million), compared with NIS 558 million (\$160 million) in the corresponding period last year. Income in the corresponding period last year included NIS 378 million (\$108 million) from the sale of Visa Europe. When excluding this one-time profit, the noninterest financing income increased by NIS 272 million (\$78 million) compared with the corresponding period last year.



- > Total operating expenses in the first half of 2017 decreased by 6.3% compared with the corresponding period last year. Total operating expenses in the second quarter of 2017 decreased by 14.2% compared with the corresponding period last year. The decrease is mainly in salary expenses.

In Accordance with the Bank's Strategy:

- > Leumi continues to lead the digital banking field in Israel. During the second quarter of 2017 'Pepper' was officially launched to the general public.
- > Continued implementation of efficiency – during the second quarter of 2017 the Bank initiated an additional voluntary early retirement plan for some 500 employees. This plan follows a reduction of some 2,200 employees in the Group's workforce in the past 4 years.
- > The Bank continues to selectively grow its loan portfolio, while maintaining a balanced risk management policy. Net loans to the public in the first half of 2017 increased by NIS 2.6 billion (\$744 million) compared with the corresponding period last year. Excluding the effect of the shekel appreciation, the increase in loans was approximately NIS 5.5 billion (\$1,573 million).

Balance Sheet Parameters:

- > The Group's total shareholders' equity as of June 30, 2017 amounted to NIS 32.5 billion (\$9.3 billion), compared with NIS 31.3 billion (\$9.0 billion) as of December 31, 2016 (an increase of 3.7%).
- > The leverage ratio as of June 30, 2017 reached 6.93%, compared to the Bank of Israel minimal threshold of 6%.
- > Net loans to the public as of June 30, 2017 amounted to NIS 264.5 billion (\$75.7 billion), compared with NIS 261.9 billion (\$74.9 billion) as of December 31, 2016.
- > Deposits from the public as of June 30, 2017 amounted to NIS 342.8 billion (\$98.1 billion), compared with NIS 346.8 billion (\$99.2 billion) as of December 31, 2016. The decrease is mainly due to the appreciation of the shekel compared to foreign currencies.



Leumi Group - Principal Data from the Financial Statements

Profit and Profitability (NIS millions)

	For the six months ended June 30			For the year ended December 31
	2017	2016	Change in %	2016
Net interest income	4,038	3,689	9.5	7,526
Credit loss expenses (income)	143	(277)	+	(125)
Net interest income after credit loss expenses	3,895	3,966	(1.8)	7,651
Noninterest income	2,507	2,570	(2.5)	5,408
Operating and other expenses	4,070	4,345	(6.3)	8,580
Net income due to shareholders of the Bank	1,498	1,429	4.8	2,791

Development of Balance Sheet Items (NIS millions)

	June 30 2017	December 31 2016	Change in %
Net loans to the public	264,484	261,913	1.0
Total assets	436,967	438,603	(0.4)
Deposits from the public	342,766	346,854	(1.2)
Shareholders' equity	32,521	31,347	3.7
Assets under management of the Group	1,337,064	1,262,415	5.9

Principal Financial Ratios (%)

	June 30		December 31
	2017	2016	2016
Net loans to the public to total balance sheet	60.5	61.0	59.7
Deposits from the public to total balance sheet	78.4	77.9	79.1
Deposits from the public to net loans to the public	129.6	127.8	132.4
Total equity to risk-weighted assets	14.99	14.68	15.21
Common equity tier 1 capital to risk-weighted assets	11.21	10.40	11.15
Leverage ratio	6.93	6.51	6.77
Liquidity coverage ratio	127	127	132
Expenses for credit losses to net loans to the public	0.11	(0.21)	(0.05)
Of which: expenses for collective allowance to net loans to the public	0.16	0.19	0.24
Interest spread	1.84	1.77	1.75
Operating and other expenses to total income	62.2	69.4	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 June 30, 2017, NIS 3.496.