



Against the backdrop of the continuing coronavirus pandemic:

Leumi Reports Net Income of NIS 694 Million (\$200 Million) in Q2 2020

The 1.19% loan loss expense rate in H1 2020 stems primarily from an increase in the collective provision, due to the uncertainty surrounding the future repercussions of the crisis

Tier 1 Capital Adequacy Ratio Reaches 11.49% – the highest in Israel’s banking sector

64% of customers resumed mortgage payments deferred during the crisis

- ✓ Net income in Q2 2020 reached NIS 694 million (\$200 million), compared to NIS 923 million (\$266 million) in the same period last year. Net income in H1 2020 reached NIS 462 million (\$133 million), compared to NIS 2,015 million (\$581 million) in the same period last year.

Most of the decrease in net income in H1 2020 is due to a significant increase in the loan loss expense, which stems primarily from an increase in the collective loan loss provision and a decrease in non-interest finance income.

- ✓ Return on equity in the second quarter of 2020 was 7.7%, compared with 10.6% in the same period last year. Return on equity in the first half of 2020 was 2.6%, compared with 11.4% in the same period last year (10.2% last year net of the effect of the sale of Leumi Card).
- ✓ The loan loss expense in H1 2020 reached NIS 1.7 billion (\$501 million), with 84% of the amount arising from an increase in the collective provision. The rate of loan loss expense was 1.19%, compared with 0.19% in the corresponding period last year. The significant increase in the loan loss expense rate stems from changes in the macroeconomic environment on the back of the continued coronavirus pandemic, which deepens the effect of the economic crisis and the uncertainty regarding its impact on the Israeli and global economy. In light of the prevailing uncertainty regarding the duration and future repercussions of the crisis, most of the increase in the loan loss expense stems from the collective provision, in order to address a possible increase in the specific provision over the next quarters and a possible adverse development in the days in arrears.



- ✓ Non-interest finance income in the first half of 2020 totaled NIS 30 million (\$9 million) compared to NIS 998 million (\$288 million) in the corresponding period last year (NIS 684 million last year – \$197 million – net of the effect of the sale of Leumi Card). In the second quarter of 2020, noninterest finance income totaled NIS 690 million (\$199 million), which offset the losses in this item recorded during the first quarter of the year.
- ✓ Net interest income in the first half of 2020 was down NIS 296 million (\$85 million) compared with the same period last year, a 6.5% decrease, mainly on the back of the negative CPI for the reporting period compared to a positive CPI in the same period last year, and a drop in the interest rates of the Fed and Bank of Israel.
- ✓ Total operating and other expenses in the first half of 2020 was down NIS 424 million (\$122 million) compared with the same period last year, a 10.9% decrease. The decrease stems mainly from a 18.4% reduction in salaries and related expenses due to provisions for bonuses, in conjunction with the financial results.
- ✓ Highest Common Equity Tier 1 capital ratio in the Israeli banking sector – Common Equity Tier 1 capital ratio as at June 30, 2020 was 11.49%, and the total capital ratio reached 15.71%.
- ✓ Growth in the loan portfolio – the Bank continues to focus its growth efforts on the middle-market, corporate and mortgage segments.

The commercial portfolio increased by 7.4% in the past year; the corporate portfolio increased by 6.4% (including real estate) and the mortgage portfolio increased by 5%.
- ✓ Growth in deposits by the public – deposits by the public were up 11.5% year-on-year. The increase stems mainly from the diversion of funds from capital markets to deposits, and from an increase in deposits by institutional clients.

Leumi's customer support during the coronavirus crisis:

- ✓ Coronavirus Business Fund – As of the outbreak of the crisis until shortly before the publication date of the financial report, Leumi approved NIS 4.8 billion (\$1.4 billion) in business loans as part of the state-backed Coronavirus Business Fund.
- ✓ Mortgage loan deferment – from the outbreak of the crisis and up to June 30, 2020, Leumi deferred NIS 367 million (\$106 million) in current mortgage repayments. Total deferred mortgage loans during the period amounted to NIS 2.1 billion (\$6 billion).



64% of customers resumed mortgage payments which were deferred during the crisis. As of shortly before the financial report publication date, only 10% of mortgage loans are still with the status of deferred.

- ✓ Increased activity on digital channels – in the first half of 2020 there was a major 45% decrease in the number of customers visiting Leumi branches compared to the same period last year, alongside a significant increase in banking transactions performed over digital channels.

Development of Balance Sheet Items:

- ✓ Shareholders' equity as at June 30, 2020 totaled NIS 36.1 billion (\$10.4 billion) compared with NIS 35.8 billion (\$10.3 billion) as at June 30, 2019.
- ✓ Net credit to the public as at June 30, 2020 totaled NIS 284.4 billion (\$82.1 billion), compared with NIS 277.6 billion (\$80.1 billion) as at June 30, 2019, a 2.4% increase. The increase stems mainly from mortgage, middle-market and corporate loans.
- ✓ Deposits by the public as at June 30, 2020 totaled NIS 417 billion (\$120 billion), compared with NIS 374 billion (\$108 billion) as at June 30, 2019, an 11.5% increase.
- ✓ Leverage ratio as at June 30, 2020 was 6.71%, compared to the 6% minimum required by the Bank of Israel.
- ✓ Liquidity coverage ratio as at June 30, 2020 was 133%, compared to the 100% minimum required by the Bank of Israel.



Leumi Group – Principal Data from the Financial Statements

Profit and Profitability (in NIS millions)

	For the six months ended June 30		Change in %	For the year ended December 31 2019
	2020	2019		
Net interest income	4,290	4,586	(6.5)	8,841
Loan loss expenses	1,735	270	+	609
Non-interest income	1,727	2,749	(37.2)	5,081
Operating and other expenses	3,472	3,896	(10.9)	7,908
Profit before taxes	810	3,169	(74.4)	5,405
Provision for taxes	320	1,120	(71.4)	1,830
Profit after taxes	490	2,049	(76.1)	3,575
The Bank's share in losses of companies included on equity basis	(13)	(14)	7.1	(15)
Net income attributed to non-controlling interests	15	20	(25.0)	38
Net income attributed to shareholders of the banking corporation	462	2,015	(77.1)	3,522
Return on equity (%)	2.6	11.4		9.8
Earnings per share (NIS)	0.32	1.35		2.37

Development of Balance Sheet Items (in NIS millions)

	As at June 30		December 31 2019
	2020	2019	
Net credit to the public	284,415	277,634	282,478
Deposits by the public	416,956	374,007	373,644
Shareholders' equity	36,132	35,795	35,406
Total assets	517,650	468,536	469,134

Principal Financial Ratios (%)

	As at June 30		December 31 2019
	2020	2019	
Net credit to the public to total assets	54.9	59.3	60.2
Deposits by the public to total assets	80.5	79.8	79.6
Total equity to risk assets	15.71	15.07	15.67
Total Tier 1 equity to risk assets	11.49	11.64	11.88
Leverage ratio	6.71	7.13	7.34
Liquidity coverage ratio	133	125	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 June 30, 2020, NIS 3.466.