



Leumi Reports Q4 and 2020 Annual Results:
Loan Portfolio Grows in 2020:
Corporate – 10.7%, Middle-Market – 9.8%, Mortgages – 6.9%

Substantial Improvement in the Efficiency Ratio

The high loan loss expenses, due to the coronavirus crisis, decreased net income to NIS 2.1 billion (\$654 Million)

ROE in Q4 reached 9.8%

Substantial capital surplus: Tier 1 Capital Adequacy Ratio was 11.9%

- > Net income in 2020 totaled NIS 2,102 million (\$654 million), compared to NIS 3,522 million (\$1,096 million) in the same period last year. The decrease in net income stems mainly from the significant increase in loan loss expenses, which arose primarily from an increase in the collective loan loss provision, and from a decrease in non-interest finance income, which last year included gains on the sale of Leumi Card in the amount of NIS 314 million (\$98 million).
- > Net income in the fourth quarter of 2020 was NIS 890 million (\$277 million), compared to NIS 742 million (\$231 million) in the same period last year.
- > Return on equity in the fourth quarter of 2020 was 9.8%, compared with 8.7% in the same period last year (despite the 0.37% loan loss expense rate in the fourth quarter of 2020, compared with 0.22% in the same period last year).
The loan loss expense rate in the fourth quarter of the year was significantly lower than the expense rate in the third quarter of the year – 0.76%, and 1.19% in the first half of the year.
- > Return on equity for 2020 was 5.7%, compared to 9.8% in 2019 (9.2% net of the effect of the sale of Leumi Card last year), mainly due to an increase in the loan loss expense on the back of the coronavirus crisis.

The loan loss expense in 2020 amounted to NIS 2.6 billion (\$809 million), compared to NIS 609 million (\$189 million) in the same period last year. Approximately 74% of the loan loss expense stems from an increase in the collective provision on the back of the coronavirus crisis. The loan loss expense rate for 2020 was 0.88%, compared with 0.22% in the same period last year.

- > Non-interest finance income in 2020 totaled NIS 1,026 million (\$319 million), compared to NIS 1,686 million (\$524 million) in the corresponding period last year (NIS 1,372 million last



year - \$427 million - net of the sale of Leumi Card). The change stems mainly from losses recorded in the item in the first quarter of the year on the back of decreases in capital markets, and from the effect of derivatives and exchange rate differentials.

- > The efficiency ratio in 2020 improved to 53.8%, compared with 58.1% last year (net of the effect of the sale of Leumi Card). The improvement stems from a decrease in salary expenses and other operating expenses.

Operating and other expenses in 2020 reached NIS 7 billion (\$2.2 billion), a 10.9% decrease compared to the same period last year. Salary and related expenses were down 13.5%, mostly due to the lack of provisions for bonuses in light of the financial results, and a decrease in the number of employees.

The efficiency ratio in the fourth quarter of 2020 was 50.7%, compared with 61.7% in the same period last year.

- > Significantly higher CET1 capital ratio than the regulatory requirement - Common Equity Tier 1 capital ratio as at December 31, 2020 was 11.9%, and total capital ratio was 15.6%.
- > Growth in the loan portfolio - the Bank continues to focus its growth efforts on the loan portfolio in the middle-market, corporate, and mortgage segments. The corporate loan portfolio (including real estate) grew at a rate of 10.7% in the past year; the middle-market portfolio grew by 9.8% and the mortgage portfolio grew by 6.9%.
- > Deposits by the public were up by 19.6% year-on-year, totaling NIS 447 billion (\$139 billion), compared to NIS 374 billion (\$116 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 some NIS 6.4 billion (\$2.0 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, some NIS 3.8 billion (\$1.2 billion) were extended to small businesses.
- > Moratorium on loans to small and micro-businesses - as of January 31, 2021, Leumi deferred current repayments of loans extended to small and micro-businesses totaling NIS 1.2 billion (\$373 million), out of which only NIS 170 million (\$53 million) are still under moratorium.
- > Moratorium on mortgage loans - as of January 31, 2021, Leumi deferred current repayments of mortgage loans in the amount of NIS 0.9 billion (\$280 million), out of which only NIS 360 million (\$112 million) are still under moratorium.



Development of Balance Sheet Items:

- > Shareholders' equity as at December 31, 2020 totaled NIS 37.7 billion (\$11.7 billion), compared to NIS 35.4 billion (\$11.0 billion) as at December 31, 2019 .
- > Gross loans to the public grew by 5.2%. Net loans to the public as at December 31, 2020 totaled NIS 295.3 billion (\$91.9 billion), compared with NIS 282.5 billion (\$87.9 billion) as at December 31, 2019, a 4.6% increase. Most of the increase is due to mortgage, middle-market and corporate loans.
- > Deposits by the public as at December 31, 2020 totaled NIS 447.0 billion (\$139.0 billion), compared with NIS 373.6 billion (\$116.2 billion) as at December 31, 2019, a 19.6% increase.
- > Leverage ratio as at December 31, 2020 was 6.6%.
- > Liquidity coverage ratio as at December 31, 2020 was 137%, compared to the 100% minimum required by the Bank of Israel.

Leumi Chairman of the Board, Dr. Samer Haj Yehia:



"We are currently witnessing significant progress in the worldwide vaccination effort, in which Israel has taken the lead. With the hope that Israelis will continue to adhere to safety precautions, we are seeing a light at the end of the tunnel, sensing a waft of optimism, for a potential exit from the coronavirus crisis which has engulfed the world this past year .

Leumi was a pioneer in detecting the emerging crisis, switching to crisis management mode as early as February 2020 – well before the Israeli government imposed any restrictions; we were thus able to dynamically adjust our service model, as well as our operations, management and strategy – exercising open-mindedness and forward-looking planning – while taking care of our employees' and customers' health.

Leumi encountered the coronavirus crisis with financial robustness in terms of capital adequacy and liquidity ratios, a highly-professional and dedicated staff, and technological advancement. This helped us assume a leading role in resuscitating the Israeli economy; as early as the first months of the crisis, Leumi provided diverse and creative solutions, adjusted to the changing needs of all its customers. The Bank's employees demonstrated inspiring engagement, devotion and professionalism in providing service and banking solutions for all customers who were facing a complex and changing reality.

The Leumi Group concludes 2020 with a net income of NIS 2,102 million. Most of the income and profit stem from core activities. During 2020, Leumi donated NIS 37 million to the community, with more than 2,300 Leumi employees spending some 16,000 hours in volunteer work across a wide range of activities in various communities, including in the areas of healthcare and education, among the future generation and the elderly.



2020 was a year of progress in terms of regional peace, with the signing of the Abraham Accords between Israel and the United Arab Emirates, the Kingdom of Bahrain, the Kingdom of Morocco and the Republic of Sudan. Leumi is proud of its leadership role in realizing the business relations between the countries and in promoting them through human, financial and business capital, leveraging its 120-year-long experience.

I and the Board of Directors would like to thank the Bank's management and employees for their dedicated work throughout a highly challenging year. I would also like to thank our customers and shareholders for their ongoing faith – in us and in our path”.

Leumi President & CEO, Mr. Hanan Friedman:



“In the past year, we have experienced a pandemic which led to a global economic crisis, highlighting the importance of a robust banking system which is able to support the Israeli economy and households in overcoming the crisis. Throughout the year, Leumi went to great lengths to assist its customers – both private and businesses. This activity is well reflected in our results. We will continue to support our customers even as we come out of the crisis, providing them with tailored financial tools, to allow them to enjoy the rapid growth and consumption spike, which are expected to characterize the emergence from the crisis.

We expect the vaccination drive to lead us, throughout 2021, to gradually emerge from the health crisis, and consequently – from the economic crisis as well. The numerous challenges we have faced are here to stay for some time, but the insights we have gained from the crisis are loud and clear. Our digital strategy – which has proven itself during the crisis – will continue and further expand. We will take our artificial intelligence capabilities and our smart models many steps ahead, in order to ensure Leumi's technological leadership well into tomorrow's banking era.

We will continue to leverage the capabilities we have developed throughout the crisis – alongside our employees' commitment to the Bank's success – in order to accelerate growth in segments that are in line with our strategy. We will do so using our digital and innovative capabilities; adopting a service model that is customized to customers' needs; enhancing the customer service cycle, including in the field of credit underwriting; and by using robotics and additional advanced technological tools. We have seen how important these parameters are for our customers' satisfaction, and to what extent they constitute a major engine for smart, healthy growth.

The era of open banking, in addition to our digital, AI-based underwriting capabilities, as well as the infrastructure for collaborations with fintechs, create an opportunity to offer our products – in an informed and direct manner – to customers of all banks. We believe this has substantial potential going forward”.



Leumi Group – Principal Data from the Financial Statements

Profit and Profitability (in NIS millions)

| | For the year ended December 31 | | Change | |
|-------------------------------------------------------------------|--------------------------------|-------|--------------|---------|
| | 2020 | 2019 | NIS millions | % |
| | | | | |
| Net Interest income | 8,723 | 8,841 | (118) | (1.33) |
| Loan loss expenses | 2,552 | 609 | 1,943 | + |
| Non-interest income | 4,366 | 5,081 | (715) | (14.07) |
| Operating and other expenses | 7,046 | 7,908 | (862) | (10.90) |
| Net income before taxes | 3,491 | 5,405 | (1,914) | (35.41) |
| Provision for taxes | 1,356 | 1,830 | (474) | (25.90) |
| Profit after taxes | 2,135 | 3,575 | (1,440) | (40.28) |
| Bank's share in associates' profits | (13) | (15) | 2 | + |
| Net income attributable to non-controlling interests | (20) | (38) | 18 | + |
| Net income attributable to the banking corporation's shareholders | 2,102 | 3,522 | (1,420) | (40.32) |
| Return on equity (%) | 5.7 | 9.8 | | (4.1) |
| Earnings per share | 1.44 | 2.37 | (0.93) | (39.24) |

Development of Balance Sheet Items (in NIS millions)

| | As at December 31 | | Change in % |
|---------------------------|-------------------|---------|-------------|
| | 2020 | 2019 | |
| Gross loans to the public | 300,631 | 285,806 | 5.2 |
| Loan loss provisions | 5,290 | 3,328 | 59.0 |
| Net Loans to the public | 295,341 | 282,478 | 4.6 |
| Deposits by the public | 447,031 | 373,644 | 19.6 |
| Shareholders' equity | 37,664 | 35,406 | 6.4 |
| Total assets | 556,035 | 468,781 | 18.6 |

Principal Financial Ratios (%)

| | As at December 31 | |
|-----------------------------------------|-------------------|-------|
| | 2020 | 2019 |
| Net loans to the public to total assets | 53.12 | 60.26 |
| Deposits by the public to total assets | 80.40 | 79.71 |
| Total equity to risk assets | 15.58 | 15.67 |
| Total Tier 1 equity to risk assets | 11.87 | 11.88 |
| Leverage ratio | 6.57 | 7.35 |
| Liquidity coverage ratio | 137 | 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 December 31, 2020, NIS 3.215.