

Leumi Records Strong Results in 2022: Return on Equity of 19% in Q4 and 17% for Y2022

- Responsible growth in the loan portfolio in strategic segments – 18.4% in 2022
- Record profit of NIS 7.7 billion (\$2.2 billion) in 2022
- Substantial improvement in the efficiency ratio – 31.8% in Q4 2022
- Cumulative dividend of NIS 1.8 billion (\$512 million) from beginning of year, including NIS 698 million (\$198 million) for Q4
- ESG – outstanding green credit as at year's end – NIS 18 billion (\$5.1 billion)

TEL AVIV – March 14, 2023

Bank Leumi (TASE: LUMI) published today its financial statements for 2022:

Net income in 2022 totaled NIS 7.7 billion (\$2.2 billion), compared to NIS 6 billion (\$1.7 billion) in 2021. Net income in Q4 reached NIS 2.3 billion (\$654 million), compared to NIS 1.5 billion (\$426 million) in the corresponding quarter last year.

Return on equity in 2022 reached 17%, compared to 15% in 2021. Return on equity in Q4 2022 was 19%, compared to 14% in the corresponding quarter last year. The significant growth in return on equity stems from a significant growth in income due to growth in the loan portfolio, alongside the effects of the CPI and the increase in the interest rate. In addition to the significant increase in income, the Bank recorded a decrease in expenses.

Substantial improvement in the efficiency ratio: The efficiency ratio continued to improve in Q4 2022 – reaching 31.8%. In the entire year, net of the results of Leumi USA, the efficiency ratio was 37.2%, compared to 45.8% in 2021.

Robust capital adequacy: Common Equity Tier 1 capital ratio as at December 31, 2022 was 11.46%, and total capital ratio was 14.29%.

Dividend: The Bank's Board of Directors approved a NIS 698 million (\$198 million) dividend distribution, which constitutes 30% of the net income for Q4 2022, in addition to the distribution of a NIS 1.1 billion (\$313 million) dividend for the first three quarters of the year. The total dividend for 2022 is NIS 1.8 billion (\$512 million).

Growth in the loan portfolio in strategic segments – the Bank continues to focus its growth on the credit portfolio in the corporate, commercial and mortgage segments. In 2022, net of the effect of Leumi USA's merger, the credit portfolio grew by a total of 18.4%. The corporate portfolio was up 28.7%; the commercial portfolio was up 18.3% and the mortgage portfolio grew at a rate of 15.7%.

Loan loss expenses (income) in 2022, net of the results of Leumi USA, reflect an expense rate of 0.13% of the average outstanding loans to the public, compared to an income rate of (0.28%) in 2021. The expense in 2022 stems from an increase in the collective provision. The loan loss expense rate in Q4 was up to 0.32% due to macroeconomic conditions.

Finance income in 2022, net of the results of Leumi USA, reached NIS 14.4 billion (\$4.1 billion), a 28% increase compared to 2021. The increase in the finance income stems mostly from the increase in the Bank's loan portfolio and from the differences in the CPI and interest rates. Finance income in 2022 includes income from the merger of Leumi USA with Valley Bank, which totaled NIS 782 million (\$222 million). Net finance income for 2021 includes income from the sale of Retailors and ironSource shares totaling NIS 518 million (\$147 million).

Operating and other expenses in 2022, net of the results of Leumi USA, were down by NIS 134 million (\$38 million) compared to 2021, a 2% decrease.

Sale of Leumi's HQ in Tel Aviv ('Beit Mani'): As part of the preparations to complete the transition of the Bank's headquarters to Lod in 2023, during April 2022 the Bank entered into an agreement to sell one of its headquarters buildings in Tel Aviv. This sale is expected to generate a pre-tax capital gain for the Bank of NIS 524 million (\$149 million), to be recorded in 2023.

ESG: In its Environmental, Social and Governance Report published along with the financial statements, Leumi undertook that by 2030, its outstanding green credit will reach NIS 35 billion (\$10 billion). As of the end of 2022, the outstanding green credit was NIS 18 billion (\$5.1 billion).

Development of balance sheet line items:^(a)

- **Shareholders' equity** as at December 31, 2022 totaled NIS 49.4 billion (\$14.0 billion) compared to NIS 41.6 billion (\$11.8 billion) as at December 31, 2021.
- **Net loans to the public** as at December 31, 2022 reached NIS 384.8 billion (\$109.4 billion), compared with NIS 325 billion (\$92.4 billion) as at December 31, 2021 – a 18.4% increase. Most of the increase is due to mortgage, middle-market, and corporate loans.
- **Deposits by the public** as at December 31, 2022 reached NIS 557.1 billion (\$158.3 billion), compared with NIS 515 billion (\$146.3 billion) as at December 31, 2021 – a 8.2% increase.

Chairman of Bank Leumi, Dr. Samer Haj-Yehia:

“The changes and adjustments we have made to the Bank’s strategy in the past year, as well as in our practical management, enabled Leumi to boost its local and global position, upgrade our customer service, empower our employees and ensure our financial resilience. We continue to lead and promote proactive, innovative and responsible banking for our customers, while focusing on improving our service. I am confident that thanks to our highly professional, dedicated managers and employees, our investments in technology and innovation, our customers’ and investors’ trust and our commitment to ESG – Leumi will continue to lead Israel’s banking system.”

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

“The hard work by our dedicated employees and managers, alongside a successful execution of our digital strategy, have led to the excellent results we have achieved this year. As Israel’s leading bank, I am proud of the service and convenience revolution we are spearheading, which is already making its mark. We have pledged to place our customers’ convenience at the heart of our work – and that’s exactly what we are doing, along with developing innovative products and value propositions. We are committed to continue improving our customer service and offer the most convenient banking experience available in Israel – in all service channels. I am also proud of the consumer initiatives we have most recently launched, aimed at supporting our customers during these challenging times.”

Leumi Group - Key Financials

Profit and profitability (in NIS millions)

	For the year ended December 31		Change in NIS million	Change in %
	2022	2021		
Net interest income	13,211	10,346	2,865	27.7
Loan loss expenses (income)	498	(812)	1,310	
Non-interest income	5,018	5,511	(493)	(8.9)
Operating and Other expenses	6,835	7,428	(593)	(8.0)
Profit before tax	10,896	9,241	1,655	17.9
Provision for tax	3,564	3,275	289	8.8
Profit after tax	7,332	5,966	1,366	22.9
Bank's share in associates' profits	387	101	286	+
Net income attributable to non-controlling interests	7,719	6,067	1,652	27.2
Net income attributable to the banking corporation's shareholders	7,709	6,028	1,681	27.9
Return on equity (%)	17.0	15.0		
Earnings per share (NIS)	5.14	4.15		

Development of balance sheet items (in NIS millions) ^(a)

	December 31		Change in %
	2022	2021	
Net loans to the public	384,782	324,956	18.4
Deposits by the public	557,084	514,968	8.2
Shareholders' equity	49,438	41,610	18.8
Total assets	699,166	632,802	10.5

Principal financial ratios (%)

	December 31	
	2022	2021
Net loans to the public to total assets ^(a)	55.0	51.4
Deposits by the public to total assets ^(a)	79.7	81.4
Total equity to risk assets	14.29	14.21
Tier 1 capital to risk assets	11.46	11.50
Leverage ratio	6.36	6.06
Liquidity coverage ratio	131	124

a. The data does not include the balances of Leumi USA, which - as of April 1, 2022 - is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley National Bank.

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, 2022, NIS 3.519.