



Press Release

Net profit of NIS 677 million (\$183 million) for Leumi in the third quarter of 2014

The profit is after an increase of the provision made in connection with the settlement under negotiation with US authorities, which was partially offset by capital gains of the Israel Corporation

In the first nine months of 2014: an increase of 5.7% in credit to small businesses and middle-market companies in Israel, a decrease of 5.3% in operating expenses (excluding the above-mentioned provision)

November 24, 2014

- ▶ Net return on equity for the third quarter of 2014 reached 10.2%, compared with a net return of 8.9% in the corresponding period last year.
- ▶ Net profit in the first nine months of 2014 was NIS 1.6 billion (\$433 million), similar to the corresponding period last year. The profit represents a net return on equity of 7.9% (on an annual basis).
- ▶ Excluding the effect of the provision made in connection with the settlement under negotiation with US authorities, and excluding capital gains of the Israel Corporation, the net return on equity in the first nine months of 2014 reached 11.3% (on an annual basis).
- ▶ A decrease of 5.3% in operating expenses:
 - ▶ A decrease of NIS 96 million (\$26 million) in salary expenses, representing 2.5%.
 - ▶ A decrease of NIS 246 million (\$67 million) in other operating expenses (excluding expenses related to the provision made in connection with the settlement under negotiation with US authorities), representing 9.4%.



- ▶ The Group's credit portfolio compared with December 31, 2013, in accordance with the Bank's strategy:
 - ▶ An increase of 5.1% in credit to small businesses in Israel.
 - ▶ An increase of 6.2% in credit to middle-market companies in Israel.
- ▶ Israel Corporation – the Bank included a profit of NIS 331 (\$90 million) in its financial results for the third quarter of 2014 due to capital gains of Israel Corp. (reported second quarter results with the addition of profits resulting from the Zim settlement and the sale of Edegel). The total effect of Israel Corp. on the Bank's results for the first nine months of 2014 is NIS 261 million (\$71 million).
- ▶ Income in respect of credit losses in the first nine months of 2014 amounted to NIS 11 million (\$3 million), compared with expenses in respect of credit losses of NIS 113 million (\$31 million) in the corresponding period last year, a decrease of NIS 124 million (\$34 million).
- ▶ The capital adequacy ratio in the first nine months of 2014 reached 14.24%, of which the core capital ratio was 9.44%.
- ▶ **The Group's equity** as of September 30, 2014 amounted to NIS 28.3 billion (\$7.7 billion), compared with NIS 26.1 billion (\$7.1 billion) as of September 30, 2013 (an increase of 8.7%), and NIS 26.4 billion (\$7.1 billion) as of December 31, 2013 (an increase of 7.3%).
- ▶ **Deposits of the public** as of September 30, 2014 amounted to NIS 286.6 billion (\$77.6 billion), compared with NIS 279.8 billion (\$75.7 billion) as of September 30, 2013 (an increase of 2.4%), and NIS 286.0 billion (\$77.4 billion) as of December 31, 2013 (an increase of 0.2%).
- ▶ **Net Credit to the public** as of September 30, 2014 amounted to NIS 249.5 billion (\$67.5 billion), compared with NIS 240.9 billion (\$65.2 billion) as of September 30, 2013 and as of December 31, 2013 (an increase of 3.6%).

The Leumi Group –
principal data
from the financial
statements

Profit and Profitability (in NIS millions)						
	For the nine months ended September 30			For the three months ended September 30		
	2014	2013	Rate of Change %	2014	2013	Rate of Change %
Net interest income	5,561	5,547	0.3	1,899	1,946	(2.4)
Expenses (income) in respect of credit losses	(11)	113	+	56	(44)	-
Non-interest income	3,952	4,097	(3.5)	1,328	1,382	(3.9)
Operating and other expenses	7,110	6,679	6.5	2,471	2,443	1.1
Profit before tax	2,414	2,852	(15.4)	700	929	(24.7)
Provision for tax	1,111	1,092	1.7	357	345	3.5
Profit after tax	1,303	1,760	(26.0)	343	584	(41.3)
Share of the Bank in profit (losses) of companies included on equity basis	294	(128)	+	345	(17)	+
Net profit attributed to non-controlling interests	(5)	(33)	(84.8)	(11)	(12)	(8.3)
Net profit	1,592	1,599	(0.4)	677	555	22.0
Net return on equity in %	7.9	8.5		10.2	8.9	

Development of Balance Sheet Items (in NIS billions)					
	Sep. 30, 2014	Sep. 30, 2013	Dec. 31, 2013	% Change to Sep. 30, 2013	% Change to Dec. 31, 2013
Total assets	380.0	365.4	374.4	4.0	1.5
Credit to the public	249.5	240.9	240.9	3.6	3.6
Deposits of the public	286.6	279.8	286.0	2.4	0.2
Shareholders' equity	28.3	26.1	26.4	8.7	7.3
Total managed assets	1,238	1,114	1,165	11.1	6.3

Principal Financial Ratios (%)			
	Sep. 30, 2014	Sep. 30, 2013	Dec. 31, 2013
Net credit to the public to total assets	65.7	65.9	64.3
Deposits of the public to total assets	75.4	76.6	76.4
Liquidity ratio (credit to total deposits)	79.0	77.8	76.2
Coverage ratio (allowance to impaired debt)	83.9	71.6	74.5
Total equity to risk assets (capital adequacy ratio)*	14.24	14.85	14.82
Core capital to risk assets (Tier I)*	9.44	9.28	9.43
Credit loss expenses to net credit to the public	-	0.06	0.11
Of which: individual allowance	(0.13)	(0.03)	-
Of which: collective allowance	0.13	0.09	0.11
Interest margin	2.01	1.86	1.87
Operating expenses to total income (efficiency ratio)	74.7	69.3	69.4

*The ratios for September 30, 2014 have been calculated according to Basel 3 rules. The ratios for December 31, 2013 and for September 30, 2013 have been calculated according to Basel 2 rules.

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 September 30, 2014, NIS 3.695.