



Leumi reports a net profit of NIS 2.8 billion (\$728 million) in 2016

For the first time in 6 years, the Bank announces a new 20% dividend policy

Net return on equity reached 9.3%

The core capital ratio (Tier 1) increased to 11.15%

- > **For the first time in 6 years, the Bank adopts a dividend policy** – Leumi's Board of Directors set a payout ratio of 20% from the quarterly profit, as of the first quarter of 2017.
- > **Net profit of NIS 2.8 billion** (\$728 million) in 2016, similar to 2015. The profit increased due to an increase in interest income, a decrease in credit loss expenses and a decrease in operating expenses. The increase in net profit was offset by a significant decrease in one-time profits, which were higher in 2015, and by an increase in tax expenses resulting from a decrease in the corporate tax rate.
- > **Net return on equity** reached 9.3% in 2016, compared with 10.3% in 2015 (which resulted from high one-time profits last year). This is against the backdrop of a significant improvement in the capital adequacy ratio.
- > **Improvement in capital ratio** – the core capital ratio (Tier I) increased from 9.58% at the end of 2015 to 11.15% at the end of 2016. The capital adequacy ratio reached 15.21%. This improvement will allow the Bank to further expand its activities in all business lines.
- > Leumi is the only Israeli Bank to have resolved the issue of the investigation of US authorities (out of the banks involved).



Leumi continues to maintain a high quality credit portfolio:

- > Problem debts as of December 31, 2016 decreased by 4% compared to December 31, 2015. The NPL ratio (non-performing loans) decreased to 1.2%.
- > Credit loss income out of net credit to the public as of December 31, 2016 reflected 0.05% of the bank's credit portfolio. This is compared with credit loss expenses in the corresponding period last year, which then reflected 0.08% of the bank's credit portfolio.

Continued implementation of efficiency plan:

- > **Decrease in salary expenses** – a decrease of NIS 300 million (\$78 million) in salary expenses (5.3%), when excluding one-time payments.
- > **The Group's workforce** decreased by over 1,000 employees during 2016. Most employees ended their employment towards the end of 2016, meaning further reduction in salary expenses will be reflected in 2017 and will improve the Bank's efficiency ratio (which stood at 66% in 2016).
- > In the past 5 years the Group's workforce decreased by approximately 2,300 employees.

Digital Innovation

- > Leumi continues to lead the digital banking field in Israel.
- > 'Pepper' and the payment app 'Pepper Pay' have recently been released to app stores. Pepper is Israel's first mobile-only digital banking platform, enabling customers to manage all of their banking activity via their mobile phone. At this stage Pepper is open to invites only.

An improvement in balance sheet parameters:

- > **The Group's equity** increased by 9% compared to December 31, 2015, amounting to NIS 31.3 billion (\$8.1 billion).
- > **Total assets** increased by 5.3%, amounting to NIS 438.6 billion (\$114.1 billion).
- > **Net Credit to the public** increased by 0.2%, amounting to NIS 261.9 billion (\$68.1 billion), while the increase in retail and commercial credit was offset by a decrease in corporate credit.
- > **Deposits of the public** increased by 5.5%, amounting to NIS 346.9 billion (\$90.2 billion).
- > **Total managed assets** increased by 2.9%, amounting to NIS 820.6 billion (\$213.4 billion).



David Brodet, Leumi Chairman:

“The Leumi Group concludes 2016 with very good results showing an increase in the business parameters, and plans to distribute a dividend to its shareholders, for the first time after six years. These successes are attributed, first and foremost, to the consistent and determined implementation of the multi-year strategic plan outlined by the Board of Directors and the Bank’s Management.

The past year has been marked by many changes in the organization, stemming from two main factors: compliance with regulatory objectives, and the continued implementation of the Group’s vision – to conduct proactive and innovative banking for our customers. In the past year, significant changes have been made in all units of the Bank, aimed at adapting the Group’s activity to the new era. During 2016, we completed handling the main issue that accompanied us in recent years in connection with US customers – an affair that has weighed heavily on the Group’s operations.

The developments in the Israeli and global economy, in regulation and in technology, pose new challenges for the Bank. I am confident that the Group –the employees and the management – will continue to lead innovative and high quality banking for the benefit of our customers”.

Rakefet Russak-Aminoach, Leumi President & CEO:

“The financial results for the year 2016 are an expression of the maturing of long-term processes: an increase in capital, a high return on equity, continued efficiency, and the strengthening of our digital leadership.

The high capital adequacy we have reached will enable further expansion and allow for a dividend distribution, for the first time in six years.

The consistent and ongoing increase in profitability is based on our business focus and our continued efficiency and transformation measures.

We outlined our strategy several years ago. Our consistency in implementing organizational changes and our clear list of priorities, have led us not only to the strong performance in 2016, but also to an excellent position in dealing with the challenges of the coming years.

Leumi continues to lead the digital banking field in Israel through constant innovation via ‘Leumi Digital’ and ‘Pepper’ – Israel’s first mobile-only banking platform.

Our determination to continue adapting the Bank to the new era will enable us to provide our customers with proactive and innovative banking.”



Leumi Group – Principal Data from the Financial Statements

Profit and Profitability (in NIS millions)

	For the year ended December 31		Change	
	2016	2015	NIS millions	
				%
Net interest income	7,526	7,118	408	5.7
Credit loss expenses (income)	(125)	199	(324)	-
Non-interest income	5,408	6,297	(889)	(14.1)
Operating and other expenses	8,580	8,836	(256)	(2.9)
Profit before taxes	4,479	4,380	99	2.3
Provision for tax	1,717	1,691	26	1.5
Profit after tax	2,762	2,689	73	2.7
The Bank's share in profits (losses) of companies included on equity basis	66	177	(111)	(62.7)
Net profit attributed to non-controlling interests	(37)	(31)	(6)	19.4
Net profit attributed to shareholders of the banking corporation	2,791	2,835	(44)	(1.6)
Return on equity (in %)	9.3	10.3		
Profit per share (NIS)	1.85	1.92		

Development of Balance Sheet Items (in NIS millions)

	As at December 31	
	2016	2015
Credit to the public, net	261,913	261,399
Deposits of the public	346,854	328,693
Shareholders' equity	31,347	28,767
Total assets	438,603	416,499

Principal Financial Ratios (%)

	As at December 31	
	2016	2015
Credit to the public, net, to total assets	59.7	62.8
Deposits of the public to total assets	79.1	78.9
Total equity to risk assets	15.21	13.74
Total Tier 1 equity to risk assets	11.15	9.58
Leverage ratio	6.77	6.27
Liquidity coverage ratio	132	105
Expenses (income) in respect of credit losses out of net credit to the public, net	(0.05)	0.08
Of which: expenses in respect of collective allowance	0.24	0.17
Expenses (income) in respect of credit losses out of total risk of credit to the public	(0.03)	0.05
Total operating and other expenses to total income (efficiency ratio)	66.3	65.8
Interest margin	1.75	1.84

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 December 31, 2016, NIS 3.845.