

# Net Profit of NIS 479 million (\$122.4 million) for Leumi in the third quarter of 2012

compared with NIS 155 million (\$39.6 million)  
in the third quarter last year

November 29, 2012

The net profit in the first nine months of 2012 totaled NIS 1,190 million (\$304.2 million) – compared with NIS 1,273 million (\$325.4 million) in the corresponding period last year

In the third quarter the Bank made a provision of NIS 150 million (\$38.3 million) for the early retirement of 250 Bank employees as part of the streamlining program announced in February

- ▶ Net return on equity in the third quarter of 2012 was 8.0% (on an annual basis), compared with 2.7% in the corresponding period last year.
- ▶ Total Group assets totaled NIS 369.5 billion (\$94.5 billion) – an increase of 4.6% compared with total assets on September 30, 2011.
- ▶ Net credit to the public on September 30, 2012 totaled NIS 241.5 billion (\$61.7 billion), an increase of 1.7% compared with September 30, 2011.
- ▶ Deposits of the public on September 30, 2012 totaled NIS 285.2 billion (\$72.9 billion), an increase of 6.7% compared with September 30, 2011.
- ▶ The capital adequacy ratio on September 30, 2012 was 15.02%, of which the core capital ratio was 8.60%.

The Leumi Group today published its financial statements for the third quarter and first nine months of 2012.

Additional data in the financial statements:

- ▶ **Net profit** of the Group for the third quarter of 2012 was NIS 479 million (\$122.4 million), compared with NIS 155 million (\$39.6 million) in the corresponding period last year. The increase in profit is explained mainly by an increase in non-interest income, a decrease in credit loss expenses, and an increase in net interest income. On the other hand, this increase was offset by an increase in operating and other expenses, including the acceleration of the streamlining program in the Bank which was announced in February.
- ▶ **The net profit** of the Group for the first nine months of the year was NIS 1,190 million (\$304.2 million), a decrease of 6.5% compared with the net profit of NIS 1,273 million (\$325.4 million) in the corresponding period last year. The decrease in net profit in the first nine months of 2012 compared with the corresponding period last year is explained mainly by an increase in credit loss expenses, and an increase in operating and other expenses. On the other hand, an increase in net interest income and an increase in non-interest income partially offset the above effects.
- ▶ **Net return on equity** for the third quarter of 2012 was 8.0% (on an annual basis), compared with 2.7% for the corresponding period last year. The net return on equity for the first nine months of 2012 was 6.6% (on an annual basis), compared with 7.5% for the corresponding period last year.
- ▶ **Total assets** of the Leumi Group as of September 30, 2012 were NIS 369.5 billion (\$94.5 billion), compared with NIS 353.2 billion (\$90.3 billion) as of September 30, 2011 (an increase of 4.6%), and NIS 365.9 billion (\$93.5 billion) as of December 31, 2011 (an increase of 1.0%).
- ▶ **Net Credit to the public** as of September 30, 2012 was NIS 241.5 billion (\$61.7 billion), compared with NIS 237.3 billion (\$60.7 billion) as of September 30, 2011 (an increase of 1.7%), and NIS 241.3 billion (\$61.7 billion) as of December 31, 2011 (an increase of 0.1%).
- ▶ **Deposits of the public** as of September 30, 2012 were NIS 285.2 billion (\$72.9 billion), compared with NIS 267.2 billion (\$68.3 billion) as of September 30, 2011 (an increase of 6.7%), and NIS 279.4 billion (\$71.4 billion) as of December 31, 2011 (an increase of 2.1%).
- ▶ **Shareholders' equity of the Group** as of September 30, 2012 was NIS 25.0 billion (\$6.4 billion), compared with NIS 22.8 billion (\$5.8 billion) as of September 30, 2011 (an increase of 9.9%), and NIS 23.4 billion (\$6.0 billion) as of December 31, 2011 (an increase of 7.0%).

The increase in the net profit of the Group in the third quarter of 2012 compared with the same period last year is explained mainly by the following factors:

The main factors responsible for the decrease in the net profit of the Group in the first nine months of 2012 compared with the same period last year were:

Implementation of the Bank's streamlining program:

- An increase of NIS 455 million (\$116.3 million) in non-interest income, among others in respect of an other-than-temporary impairment of the investment in Partner Communications shares of NIS 239 million (\$61.1 million), which was recorded in the corresponding quarter in 2011.
- A decrease of NIS 86 million (\$22.0 million) in credit loss expenses from NIS 378 million (\$96.6 million) to NIS 292 million (\$74.6 million).
- An increase in net interest income of NIS 31 million (\$7.9 million).
- These effects were partially offset by an increase in operating and other expenses of NIS 239 million (\$61.1 million), including the implementation of the streamlining program in the Bank, which was decided upon at the beginning of 2012 (an expense which totaled this quarter NIS 150 million (\$38.3 million)).
- An increase in credit loss expenses of NIS 501 million (\$128.1 million).
- An increase in operating and other expenses of NIS 269 million (\$68.8 million), including a provision of NIS 200 million (\$51.1 million) for the early retirement of employees within the streamlining program in the Bank, and a provision of NIS 25 million (\$6.4) in the second quarter due to adjustments made to mortality tables.
- On the other hand, these effects were partially offset by two main factors: an increase in non-interest income of NIS 405 million (\$103.5 million), and an increase in net interest income of NIS 196 million (\$50.1 million).
- As part of the implementation of the Bank's streamlining program for the years 2012-2014, which was prepared in the beginning of 2012, the Board of Directors of the Bank decided to accept management's recommendation to bring forward the retirement of 250 employees. The cost of this step, which was reflected in the financial statements of the third quarter, totaled NIS 150 million (\$38.3 million). The total provision for the program in the first nine months of 2012 totaled NIS 200 million (\$51.1 million).

## 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		
	2012	2011	% Change	2012	2011	% Change
Net interest income before expenses in respect of credit losses	5,624	5,428	3.6	1,872	1,841	1.7
Expenses in respect of credit losses	850	349	143.6	292	378	(22.8)
Non-interest income	3,380	2,972	13.7	1,208	675	79
Operating and other expenses	6,489	6,220	4.3	2,294	2,055	11.6
Net profit for the period	1,190	1,273	(6.5)	479	155	209.0
Net return on equity in %	6.6	7.5		8.0	2.7	

Development of balance sheet items (in NIS billions)					
	As of 30.9.12	As of 30.9.11	As of 31.12.11	% Change compared with 30.9.11	% Change compared with 31.12.11
Total assets	369.5	253.2	365.9	4.6	1.0
Net credit to the public	241.5	237.3	241.3	1.7	0.1
Deposits of the public	285.2	267.2	279.4	6.7	2.1
Shareholders' equity	25.0	22.8	23.4	9.9	7.0

Principal financial ratios (%)			
	30.9.12	30.9.11	31.12.11
Net credit to the public to total assets	65.3	67.2	66.0
Deposits of the public to total assets	77.2	75.7	76.4
Deposits of the public to total net credit	118.1	112.6	115.8
Total equity to risk assets (capital adequacy ratio)	15.02	13.75	14.34
Core capital to risk assets (Tier I)	8.60	7.89	8.07
Expenses in respect of credit losses to net credit to the public	0.47	0.20	0.30
Total financial margin	1.21	0.98	1.00
Operating and other expenses to total income (efficiency ratio)	72.1	74.0	73.9

\*In accordance with directives of the Banking Supervision Department of the Bank of Israel, the classification of profit and loss items was changed as of January 1, 2012. The main changes are as follows:  
**Net interest income** includes interest income and expenses including index-linkage differentials on principal but not including exchange-rate differentials on principal in foreign currency or linked to foreign currency.  
**Non-interest income** includes non-interest financing income: income (expenses) from activity in derivative instruments, profit (loss) on investments in available-for-sale bonds (excluding interest), net exchange-rate differentials, profit (loss) on investments in shares (including sale of shares in investee companies), profit (loss) on sale of loans, and profit (loss) on bonds held for trading (excluding interest); commissions, other income including profit (loss) on sale of buildings and equipment.

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, 2012, NIS 3.912.