



# LEUMI Q2 2017 RESULTS PRESENTATION

**The conference call does not replace the need to review the latest periodic/quarterly reports in which full information is contained, including forward looking information, as defined in the Israeli Securities Law, and set out in the aforementioned reports.**

## DISCLAIMER

This document and the information contained herein –

1. Has been prepared by Bank Leumi of Israel Ltd (the “Bank”) solely for the purpose of presenting the Bank's business;
2. Is provided to you solely for your information and may not to be copied, distributed or forwarded, directly or indirectly, in any form to any other person, nor published, wholly or partially, for any purpose;
3. Does not purport to be all-inclusive or to contain all the information that may be relevant in making any decision concerning an investment in the securities of the Bank.;
4. No representation or warranty, has been expressed or implied, and there should be no reliance on the accuracy, completeness, or correctness of any of the information or opinions contained herein. In particular, no representation or warranty is given as to any forward- looking information, which is based, inter alia, on forecasts of the future regarding various matters related to economic developments in Israel and abroad, and especially to the foreign exchange and capital markets, legislation, directives of regulatory bodies, the behavior of competitors, technological developments, personnel issues, etc. and is subject to uncertainty and changes in circumstances. Actual results may differ materially from those included herein due to a variety of factors. For more information on the meaning of forward looking information, we would refer you to the Bank’s most recent published Consolidated Financial Statements;
5. Neither the Bank nor any of its employees or representatives shall bear any liability whatsoever (whether due to negligence or otherwise) for any loss or damage of any kind arising from the use of this document or its content or otherwise arising in connection with this document.
6. Does not constitute an offer or invitation to purchase or subscribe for any securities, nor does it constitute advice;
7. Should not form the basis of or be relied upon in connection with any contract or commitment whatsoever.



# Strategy Translates into Achievements – Pepper Launched, Major Efficiency Steps Taken

## PEPPER

1<sup>st</sup> mobile-only Bank in Israel,  
Launched in June

---

Pepper, Pepper Pay, Pepper Invest  
(coming soon) provide a personal,  
simple and convenient "any-time,  
any-place" experience

---

Challenging the status quo of  
banking industry

## Efficiency

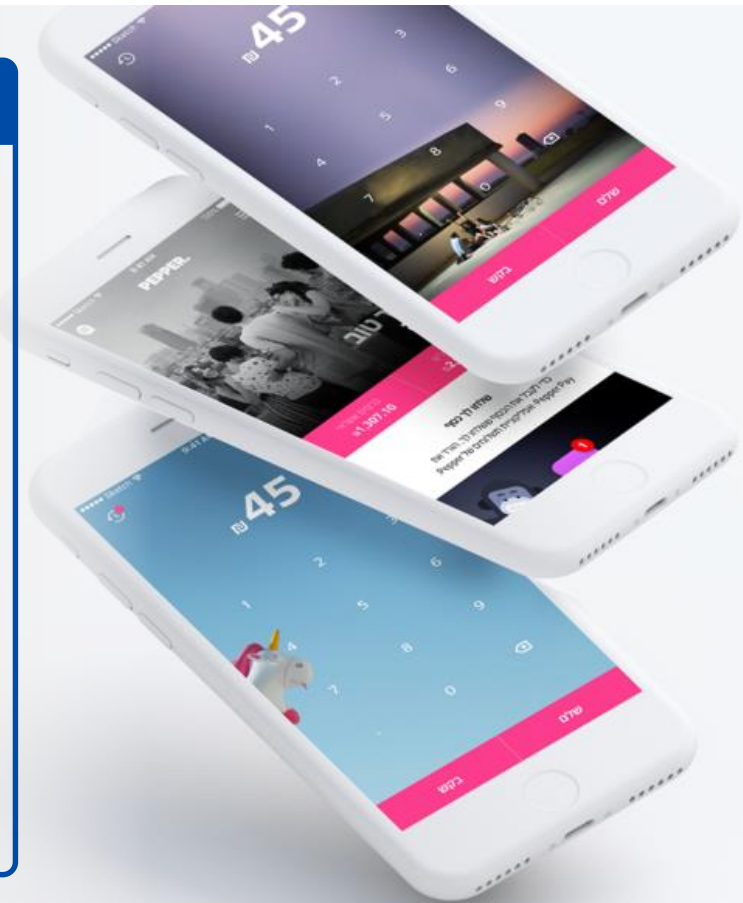
New Efficiency Plan – early  
retirement of 500-600 employees.  
Follows a reduction of ~2,200  
employees (2012 to 2016)

---

Sale of Main branch (June 2017) to  
contribute NIS 260 million (before  
tax) in Q4

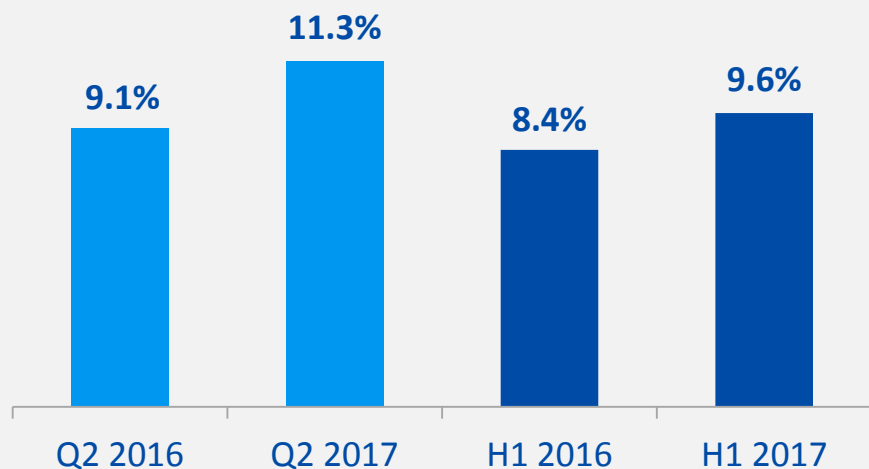
---

Alongside consolidation of  
business lines and accelerating  
digital transformation

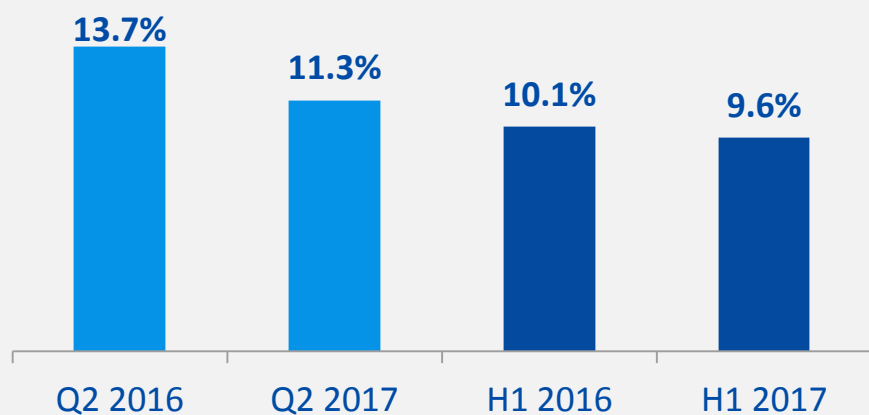


# 2017: Strong Quarter and First Half - All Falling into Place

## Return On Equity\*



## Return On Equity



	Q2 2016	Q2 2017	H1 2016	H1 2017
Net Interest Income	2,034	2,165	3,689	4,038
Credit Loss Expenses	(154)	42	(277)	143
Noninterest Income	534	197	558	452
Commissions	989	1,007	1,977	2,025
Salaries	1,546	1,276	2,788	2,567
Operating & Other Expenses	809	744	1,557	1,503
Net Income	970	876	1,429	1,498
<b>Net Income*</b>	<b>653</b>	<b>876</b>	<b>1,194</b>	<b>1,498</b>

\*(2016) excludes gains from Visa Europe transaction, collective wage agreement related costs and tax shield related items.  
(NIS Millions)



# Key Financial Metrics

Q2 2017

<b>ROE</b> 11.3%	<b>NIM</b> 2.23%	<b>Efficiency Ratio</b> 59.7%	<b>Credit Loss Expenses</b> 0.06%
---------------------	---------------------	----------------------------------	--------------------------------------



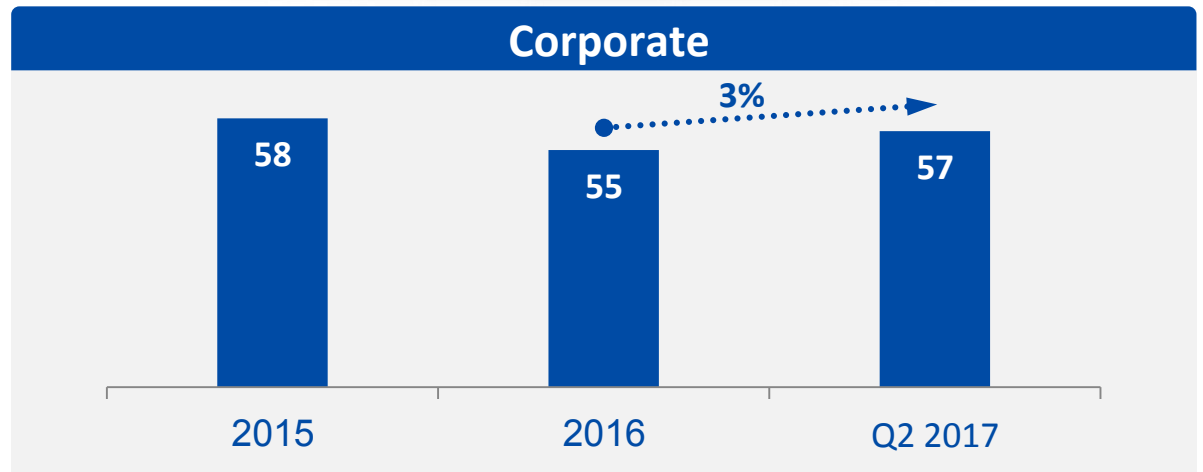
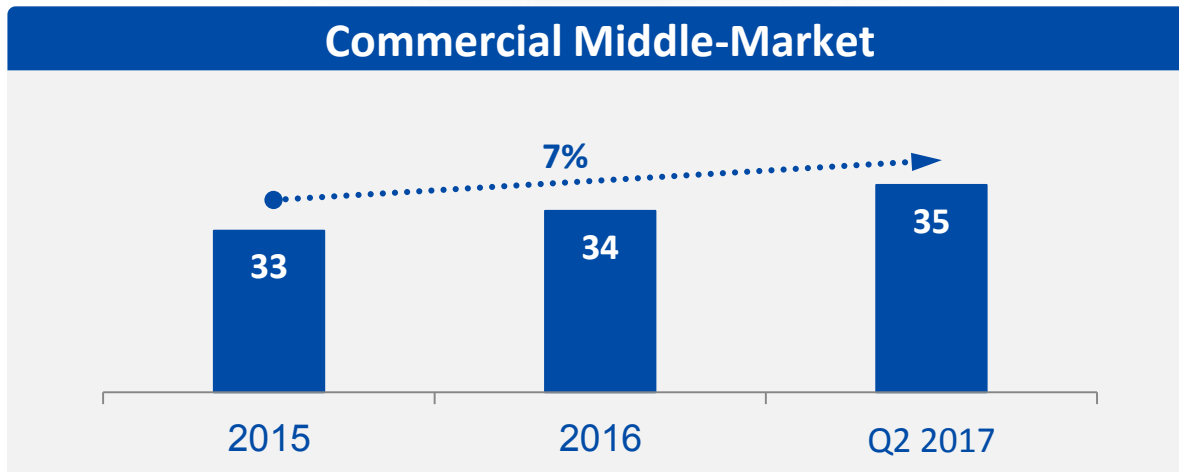
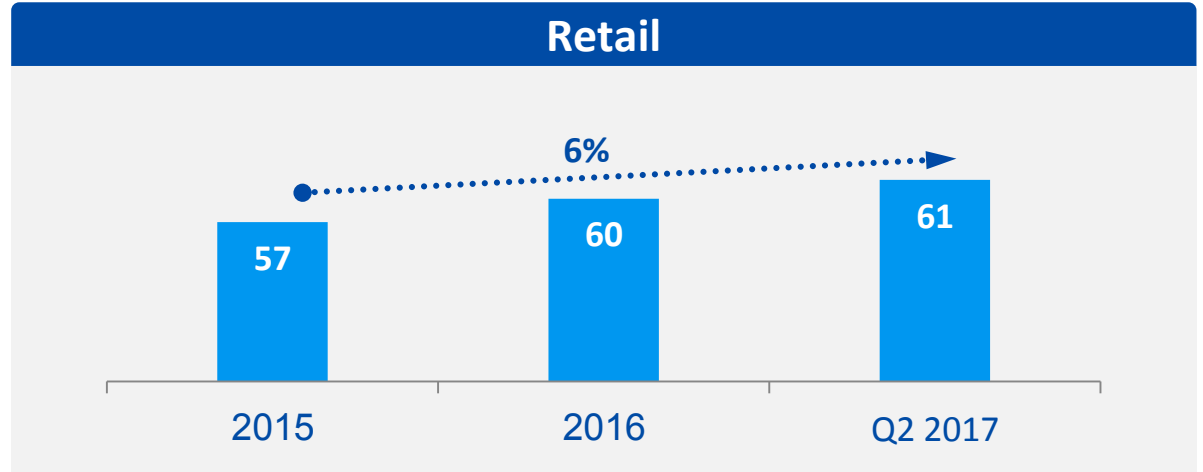
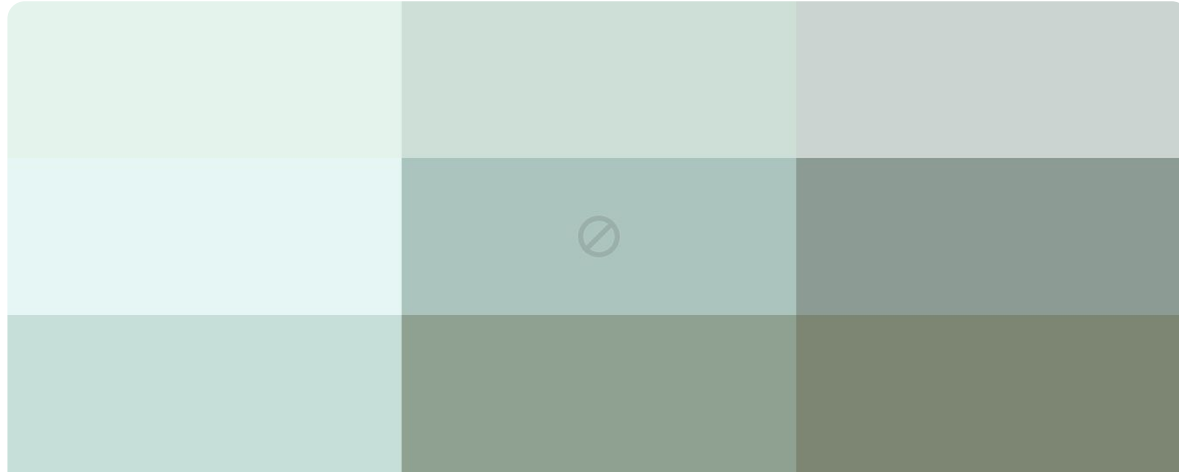
<b>ROE</b> 9.6%	<b>NIM</b> 2.06%	<b>Efficiency Ratio</b> 62.2%	<b>Credit Loss Expenses</b> 0.11%
--------------------	---------------------	----------------------------------	--------------------------------------

<b>CET1</b> 11.21%	<b>NPL Ratio</b> 1.1%
-----------------------	--------------------------

H1 2017



# Loan Growth in Line with Strategy



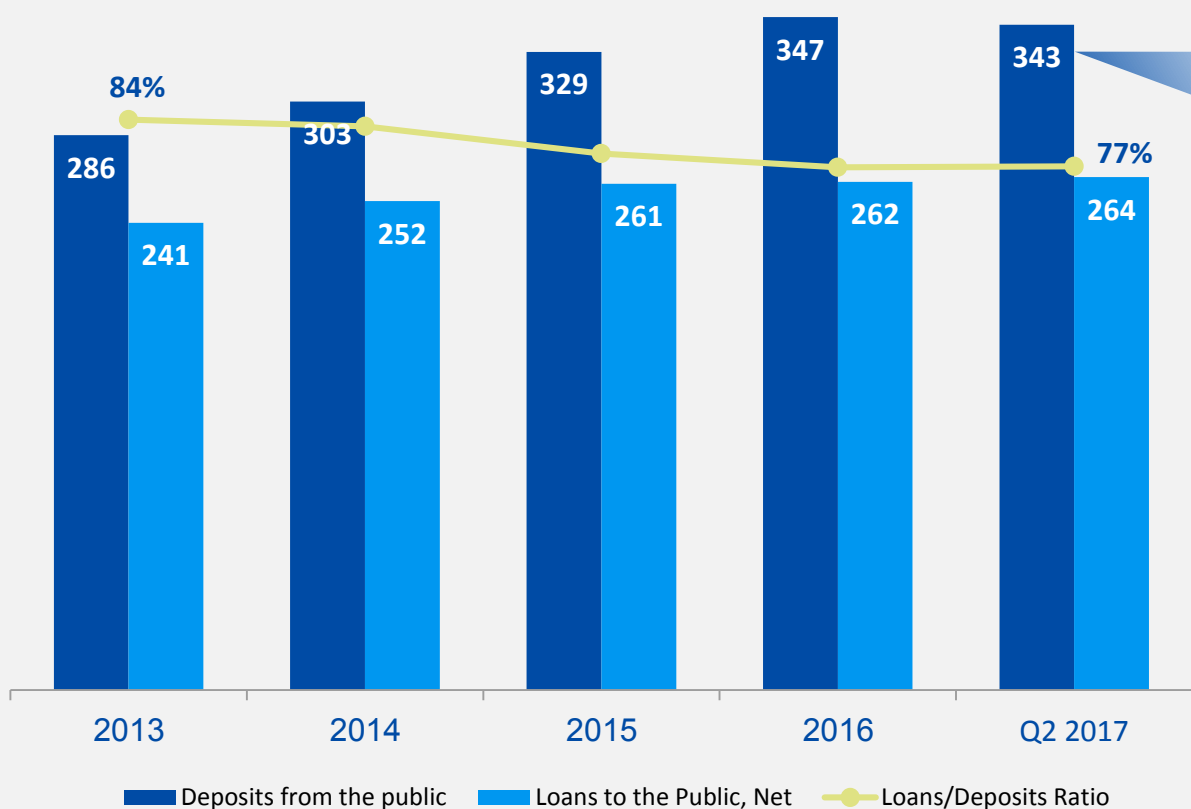
(NIS Billions)

Retail (not including mortgages)

Corporate (Corporate, Real-Estate and Capital Markets )

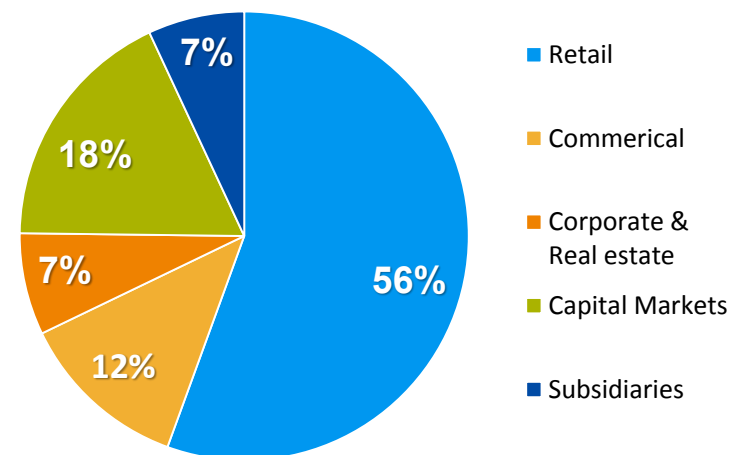


# Stable Liquidity. Conservative, Well-funded and Diverse Portfolio

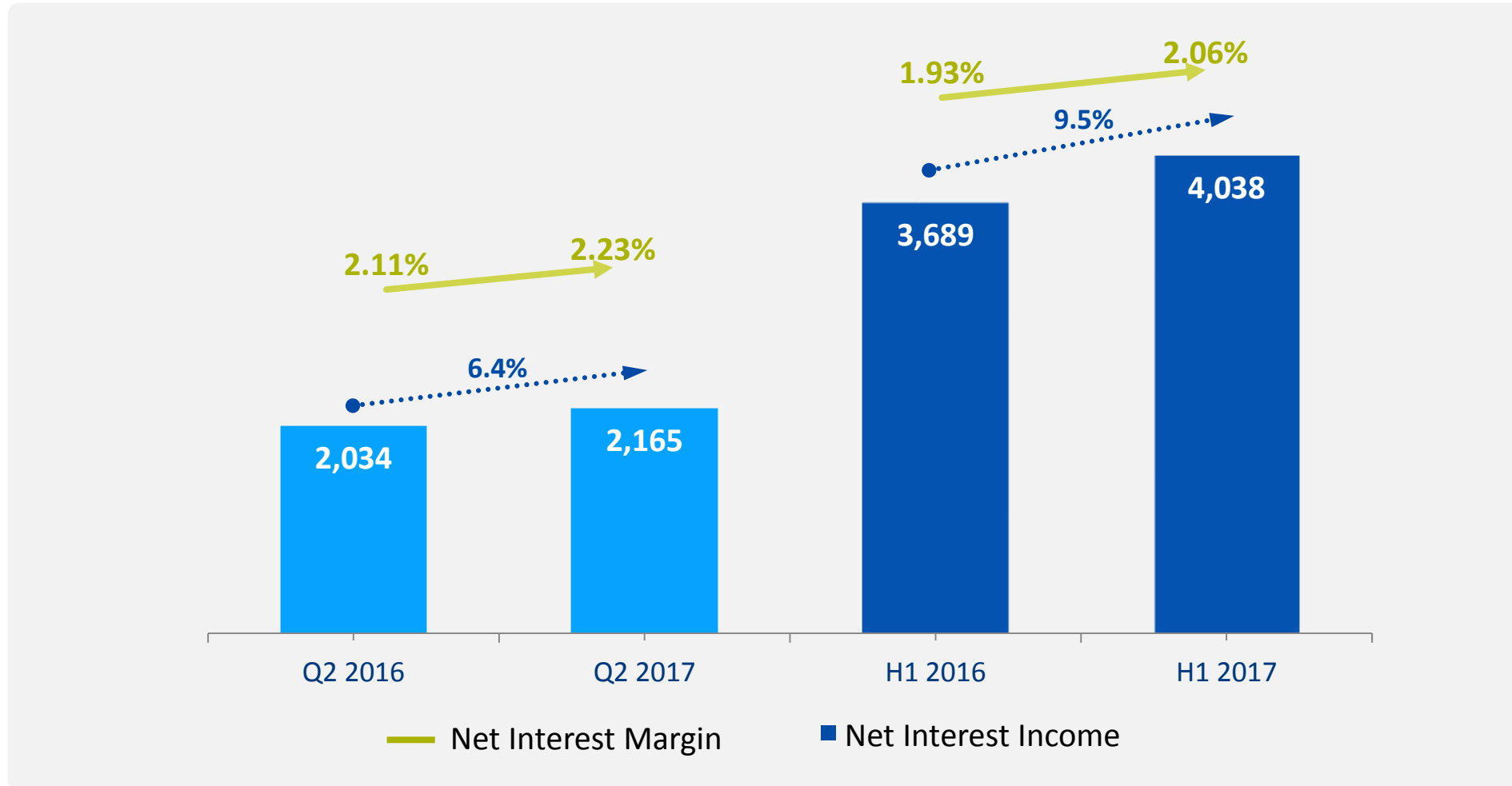


Net Loans to the Public, Deposits from the Public  
(NIS Billions)

### Deposits from the Public 30.6.2017



# Net Interest Income and Net Interest Margins on the Rise



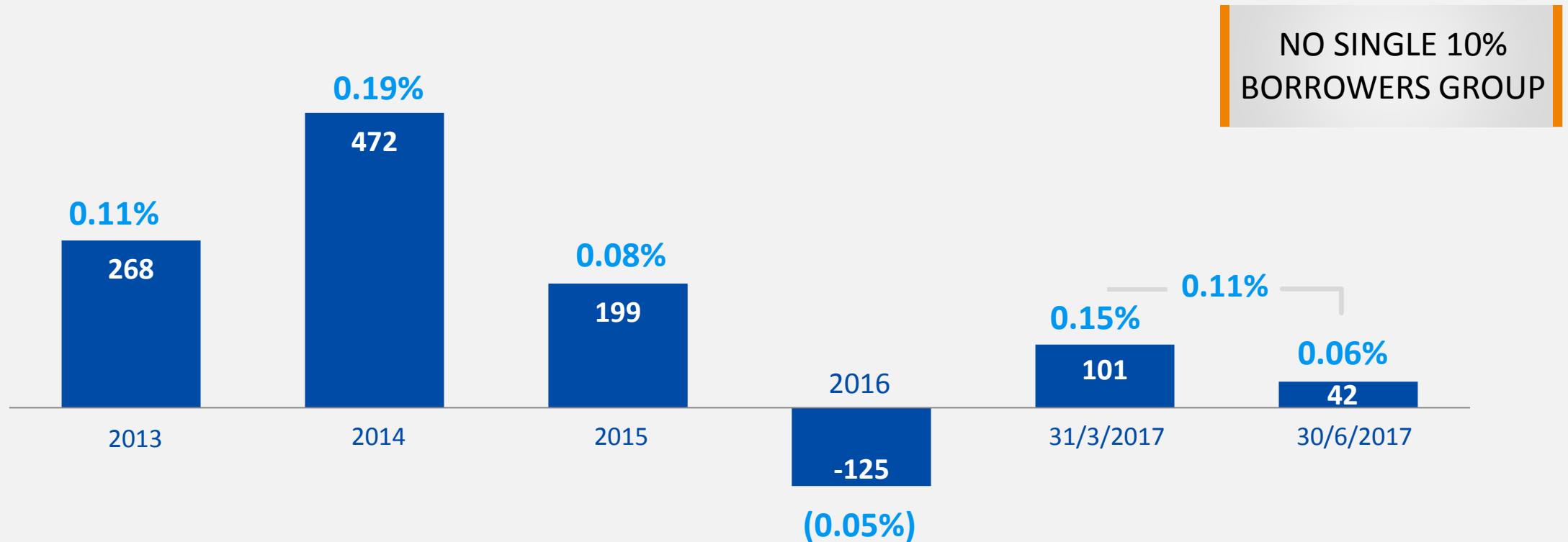
(NIS Millions)





# Maintaining Low Credit Loss Expenses, High Quality Loan Portfolio

## Low Credit Loss Expenses

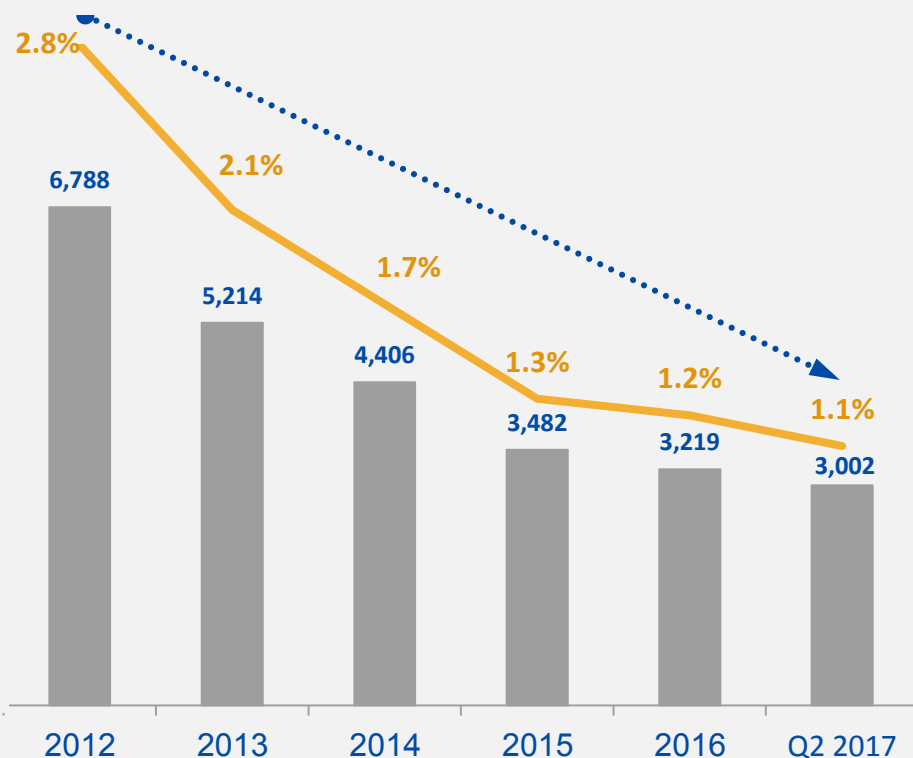


(NIS Millions)



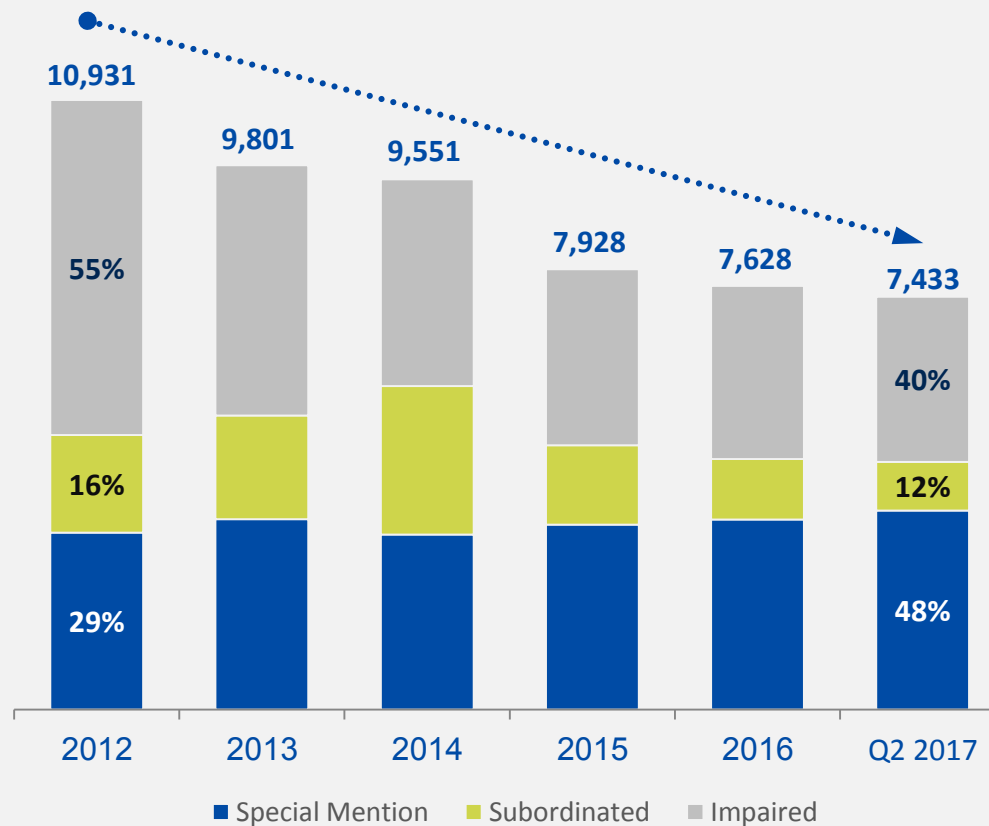
# Leading, Resilient and High Quality Credit Portfolio

## Substantial Improvement in NPL Ratio



Impaired Debt, net of public debts under restructuring, accruing interest income/Total debt

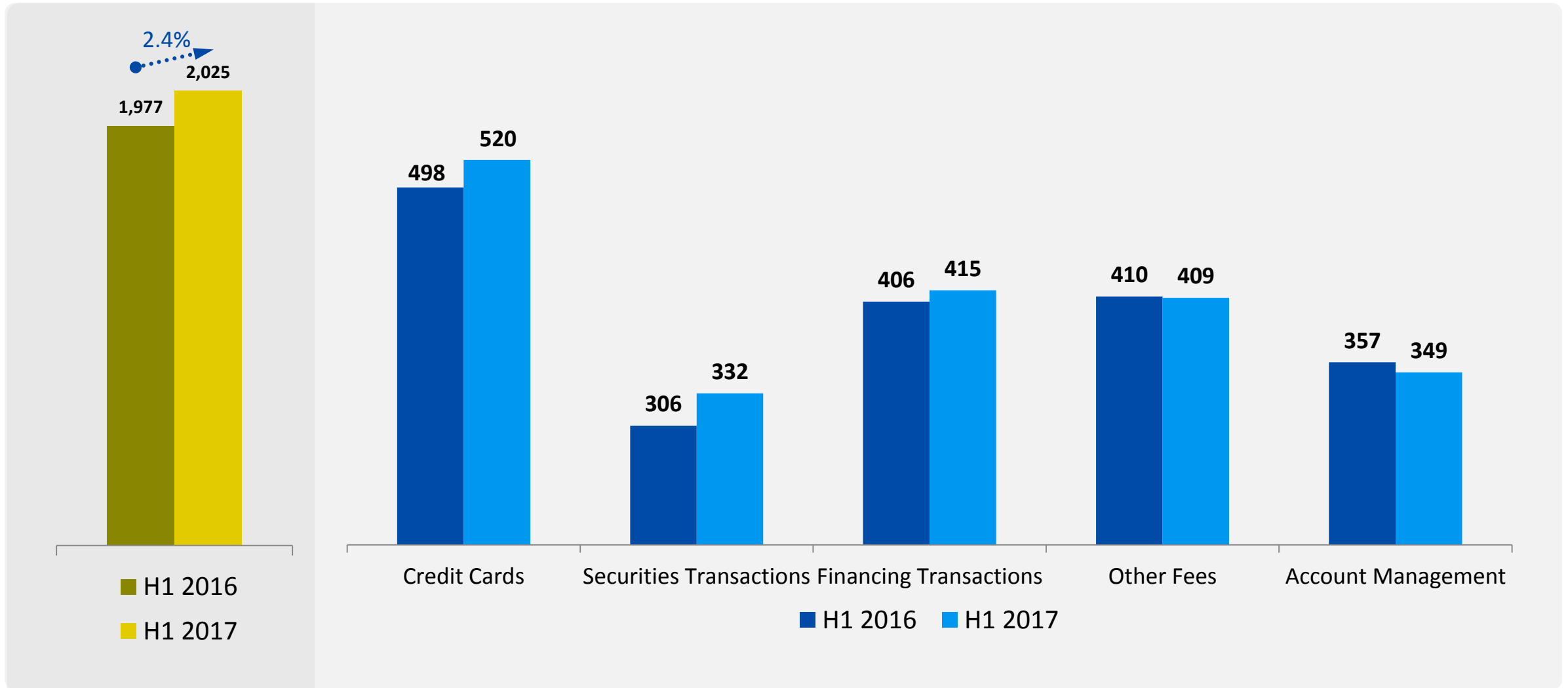
## Continuous Positive Trend in Problem Debts



(NIS Millions)



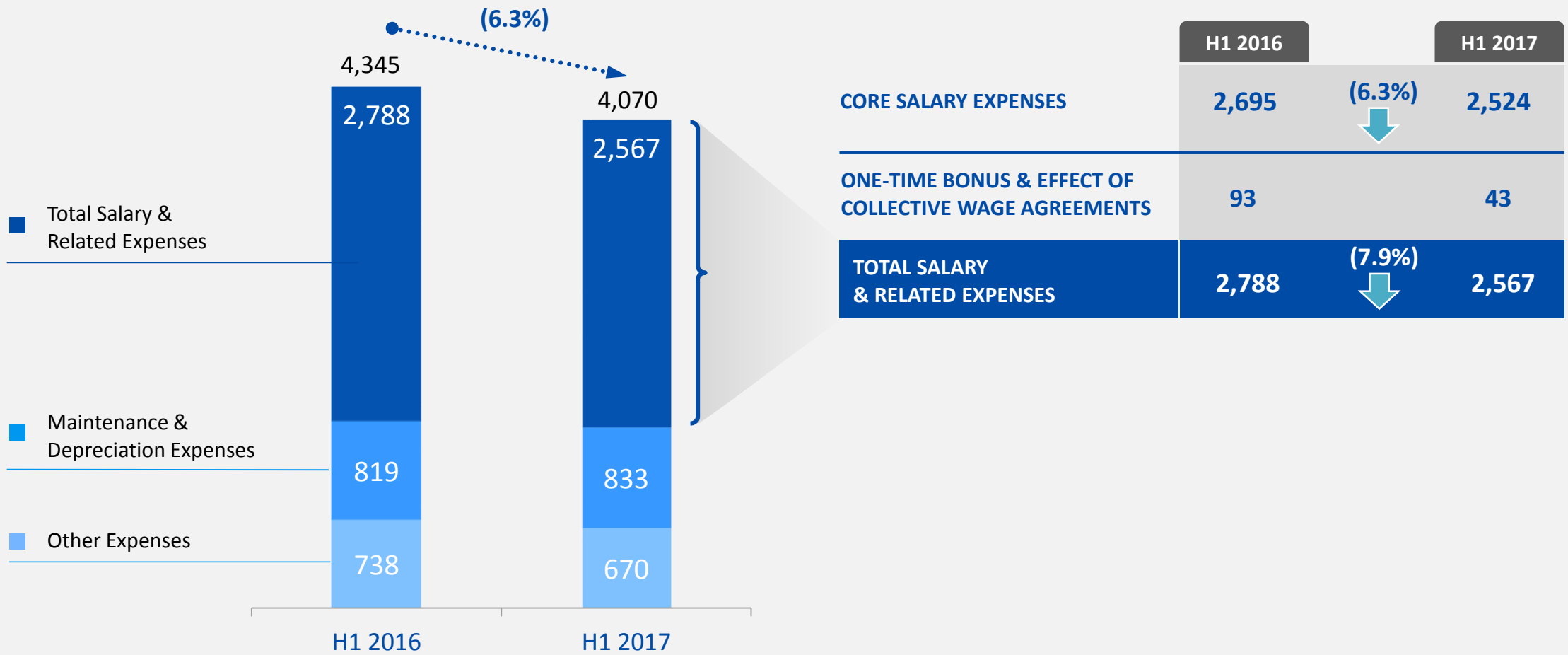
# Diverse and Slightly Increased Commission Revenue



(NIS Millions)



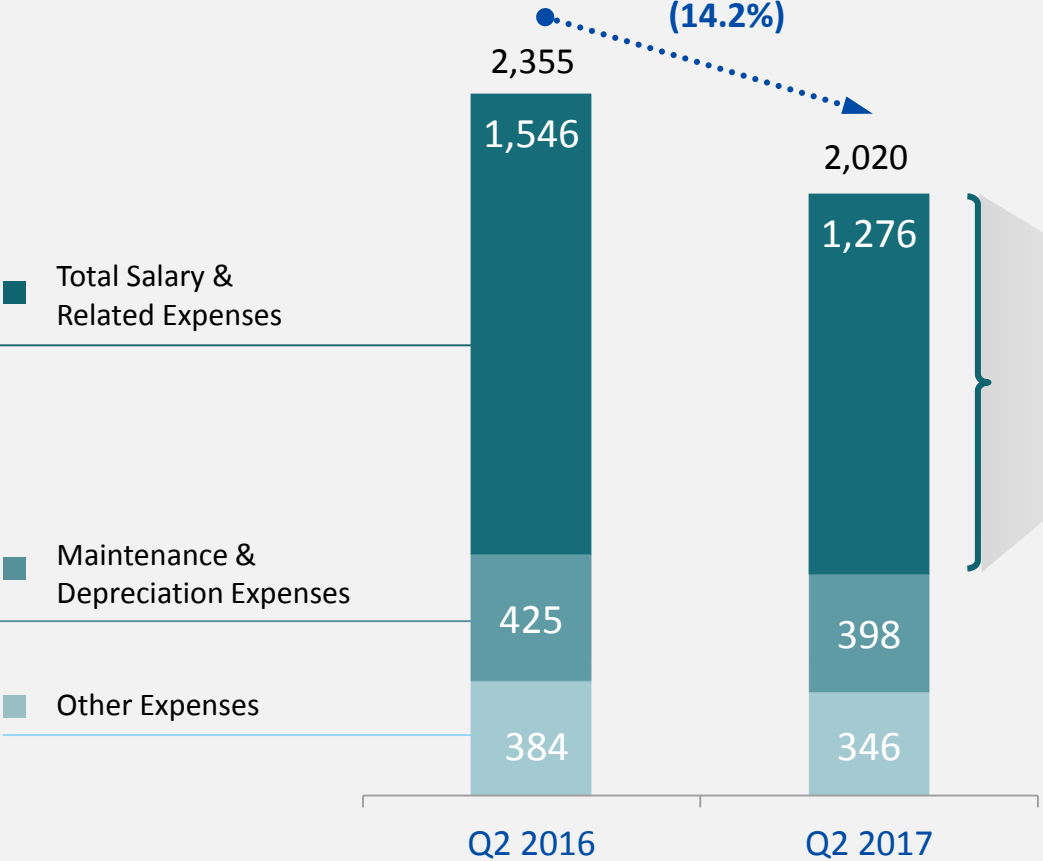
# H1: Bearing the Fruit of Efficiency Measures – Expenses Down Across the Board



(NIS Millions)



# Q2: Bearing the Fruit of Efficiency Measures – Expenses Down Across the Board



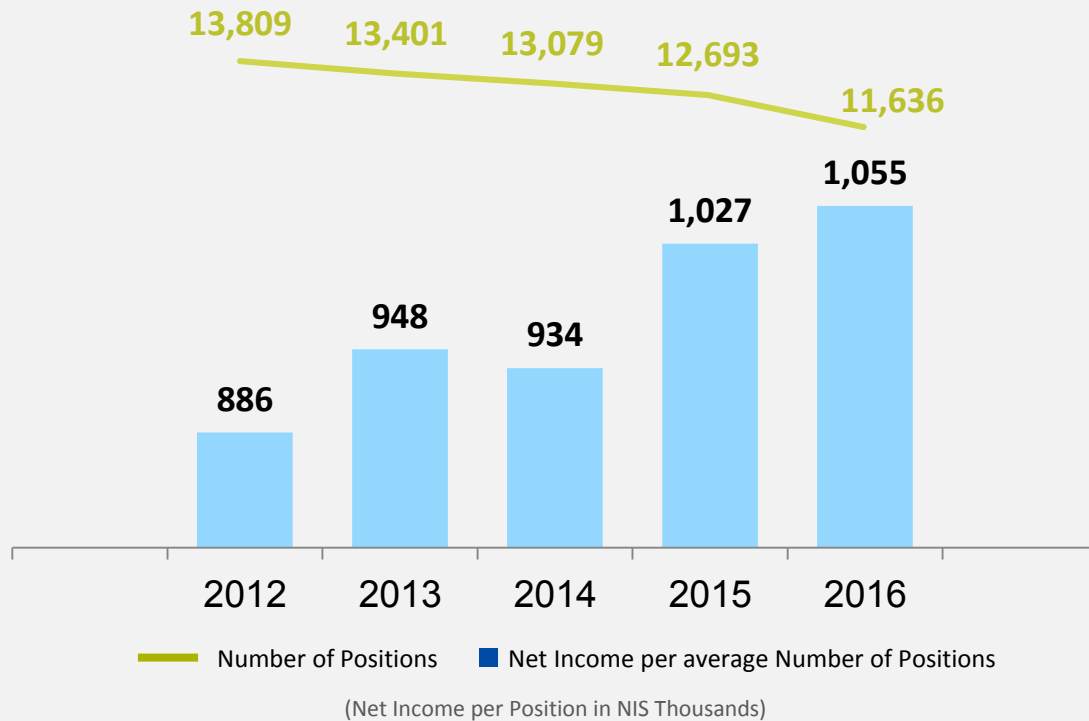
	Q2 2016		Q2 2017
CORE SALARY EXPENSES	1,391	(8.3%)	1,276
ONE-TIME BONUS & EFFECT OF COLLECTIVE WAGE AGREEMENTS	155		
<b>TOTAL SALARY &amp; RELATED EXPENSES</b>	<b>1,546</b>	<b>(17.5%)</b>	<b>1,276</b>

(NIS Millions)

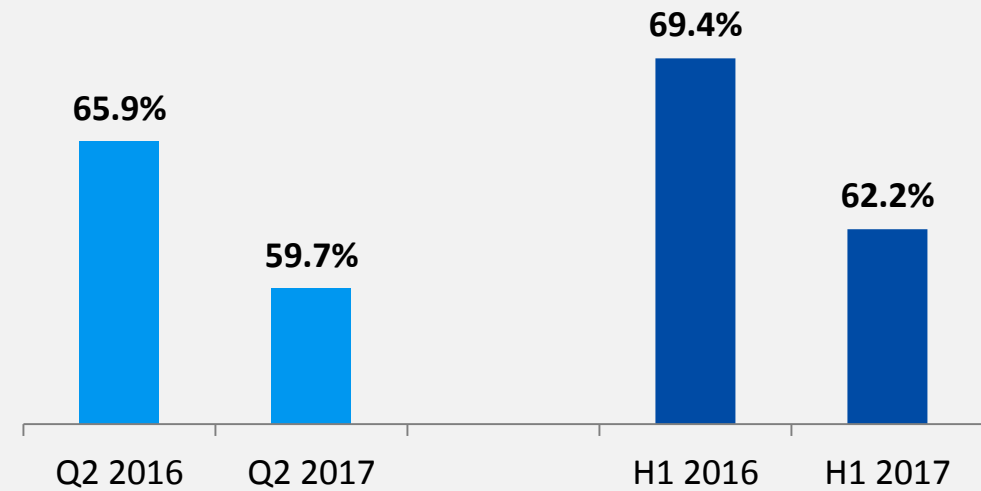


# Efficiency Improving – Positions Reduced, Productivity Trending Up

**Number of Positions Reduced.  
Net Income Per Position Trending Up**



**Efficiency Ratio Continues to Improve**

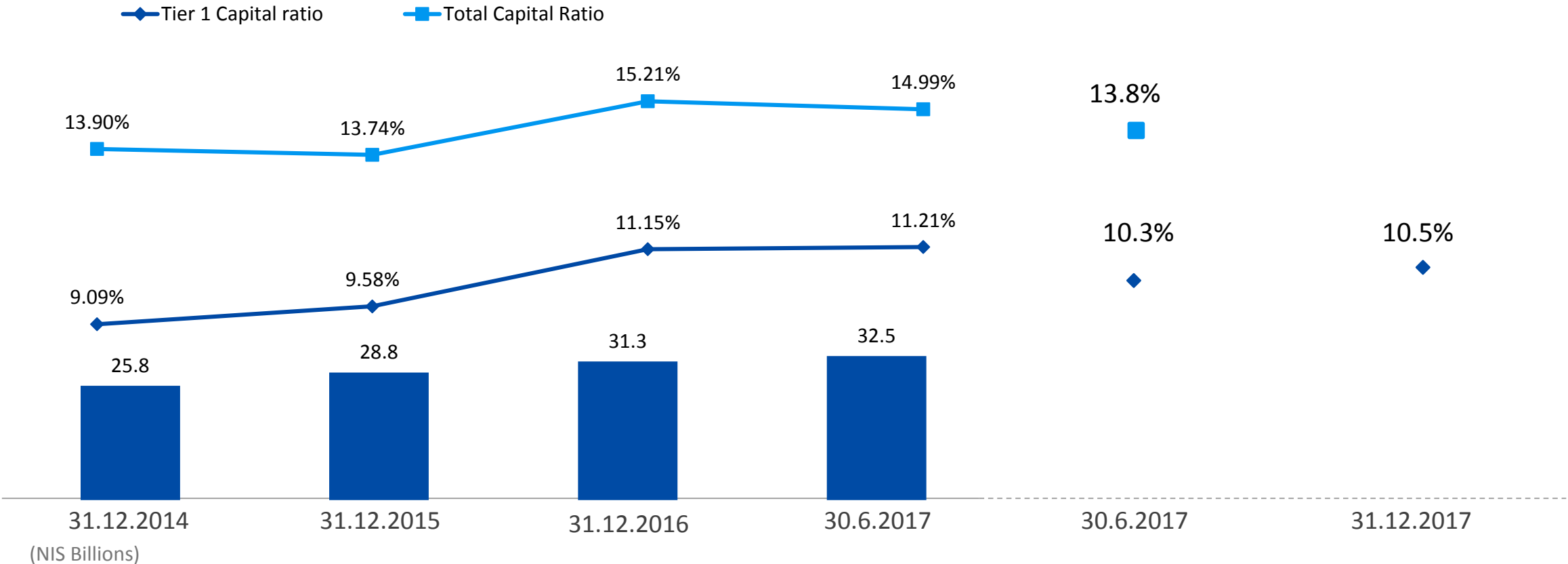


# A View of our Capital Adequacy Ratios

**Rising Capital Ratios, 20% Dividend Payout Since Q1 2017**

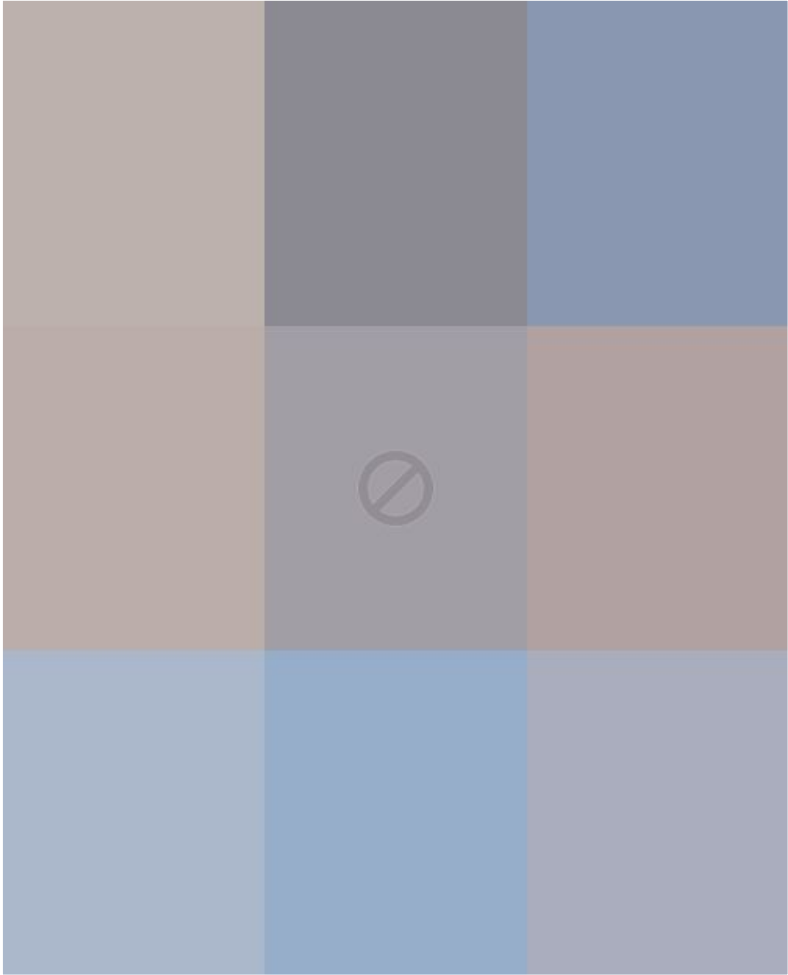
**Regulatory Targets**

**Leumi's Target**



# Highlights

- Significant Increase in Net Interest Income, Noninterest Income and Commissions
- Efficiency Ratio – Material Improvement
- Substantial Increase in Return on Equity from Core Business
- High Quality Credit Portfolio
- Launch of Pepper, Leading Digital Banking Transformation In Israel







לאומי  
leumi

Q&A



לאומי  
leumi

THANK YOU



לאומי  
leumi

# APPENDIX

# Strong Macro Profile – A Positive for Leumi

Strong Economic Growth – Positive for Leumi

Robust Demographic Fundamentals –  
Another “Plus” for Leumi

An Innovation Nation - Leumi Partnering in  
High-Tech Financial Services

Natural Resources (Water and Natural Gas)– One  
More Area of Leumi’s Financing Expertise

Israeli Economy Enjoys Stability Indicators –  
A Positive Business Environment for Leumi

	2016	E2017*	E2018*
GDP, rate of change, real terms	4.0%	3.2%	3.8%
Current account surplus, % of GDP	3.9%	3.5%	3.3%
Government budget deficit, % of GDP	(2.1%)	(2.5%)	(2.7%)
Government debt, % of GDP	60.4%	60.2%	60.3%
Unemployment, Annual Average	4.8%	4.3%	4.2%
CPI, year-end change	(0.2%)	(0.3%)-0.2%	0.7%-1.7%
NIS-USD, average exchange rate	3.84	3.50-3.70	3.45-3.65
NIS-EUR, average exchange rate	4.25	3.90-4.10	4.00-4.20
Bank of Israel average interest rate	0.1%	0.1%-0.2%	0.1%-0.3%

Source: Central Bureau of Statistics, \*Leumi forecast

