



# LEUMI Q3 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.**

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# Leumi's Journey Clearly Demonstrated in its Strong Results

## Leading Digital Transformation

Increased Adoption of Digital Channels

**PEPPER.** 1<sup>st</sup> and Only

Mobile-Only Bank in Israel

Challenging the Status Quo

## Enhanced Efficiency

Additional Significant Number of Employees to Retire at Year End Following 2017 Plan

Along with consolidation of business lines and accelerating digital transformation

Cost Cutting Continues

## High Quality Loan Portfolio

Very Low Rate of Loan Loss Provisions

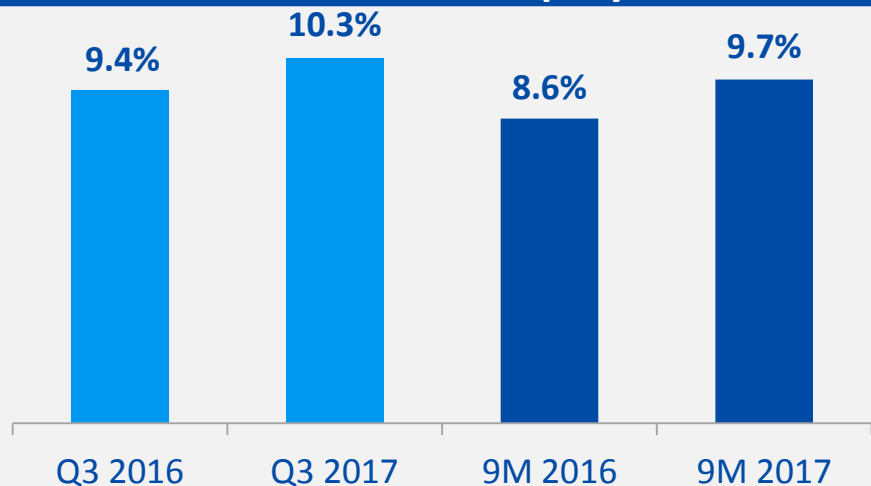
NPL Down to Below 1%

Updated Dividend Plan to Up to 40%



# 2017: Strong Momentum Continues

## Return On Equity\*



## Return On Equity



	Q3 2016	Q3 2017	9M 2016	9M 2017
Net Interest Income	1,970	1,918	5,659	5,956
Credit Loss Expenses	106	3	(171)	146
Noninterest Income	499	222	1,057	674
Commissions	996	1,043	2,973	3,068
Salaries	1,354	1,264	4,142	3,831
Operating & Other Expenses	601	812	2,158	2,315
Net Income	919	820	2,348	2,318
<b>Net Income*</b>	<b>690</b>	<b>820</b>	<b>1,884</b>	<b>2,318</b>

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



# Core Business Continues to Improve - Key Financial Metrics

Q1-Q3 2017

<b>ROE</b> 9.7%	<b>NIM</b> 2.03%	<b>Efficiency Ratio</b> 62.9%	<b>Credit Loss Expenses</b> 0.07%	<b>CET1</b> 11.35%	<b>NPL Ratio</b> 0.95%
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Q1-Q3 2016

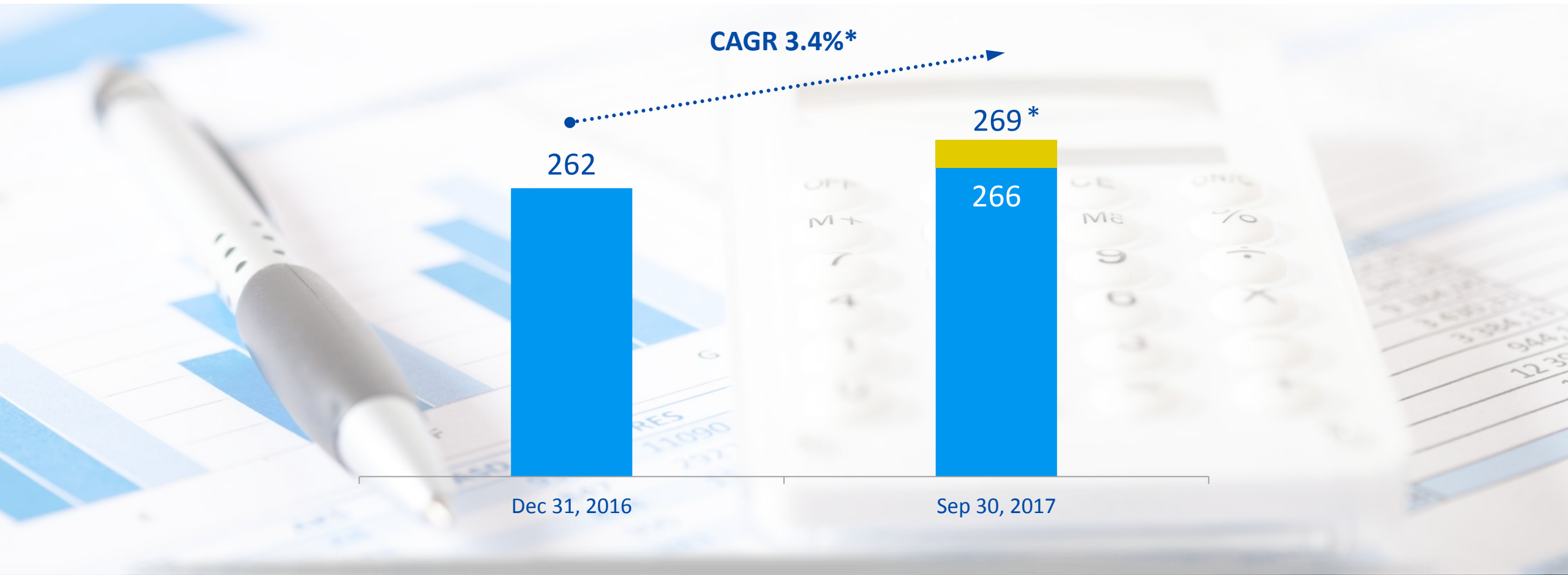
<b>ROE*</b> 8.6%	<b>NIM</b> 1.95%	<b>Efficiency Ratio</b> 64.7%	<b>Credit Loss Expenses</b> (0.09)%	<b>CET1</b> 10.86%	<b>NPL Ratio</b> 1.32%
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\*(2016) excludes gains from Visa Europe transaction, insurance refund, collective wage agreement related costs and tax shield related items





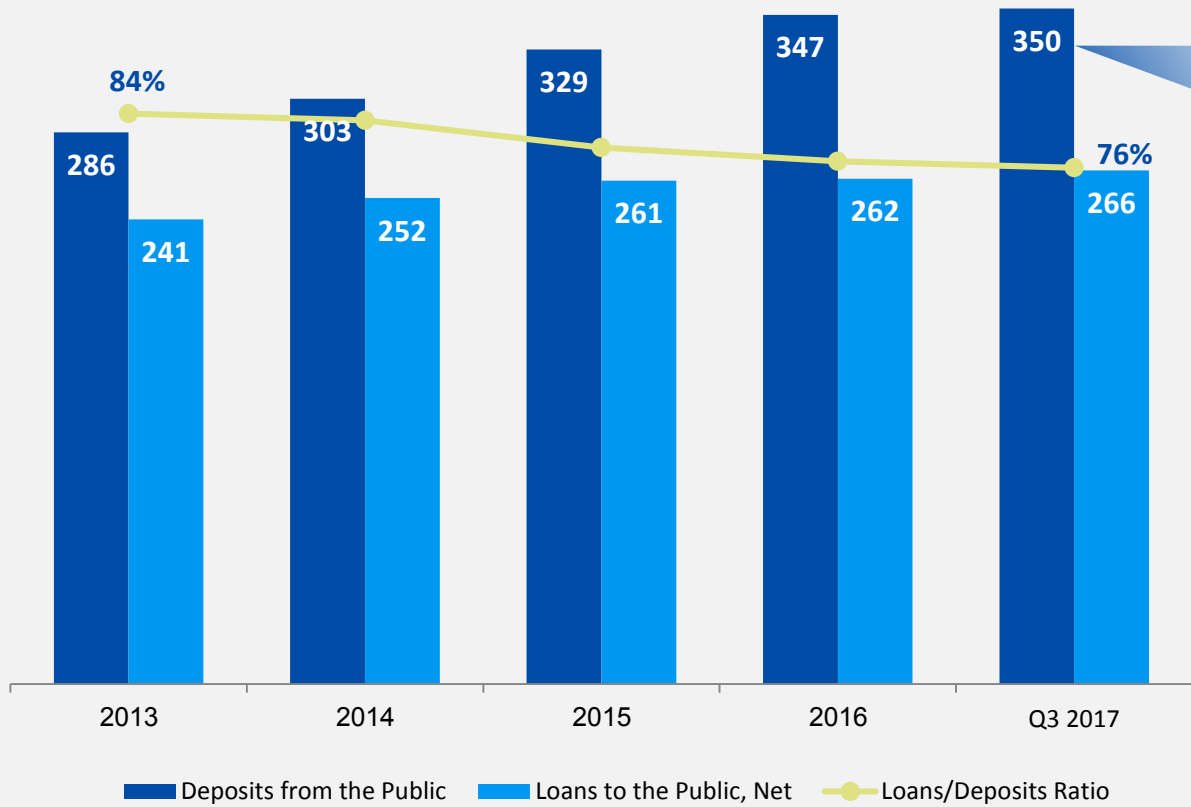
# Loan Growth



\*Excluding the effect of the shekel appreciation  
(NIS Billions)

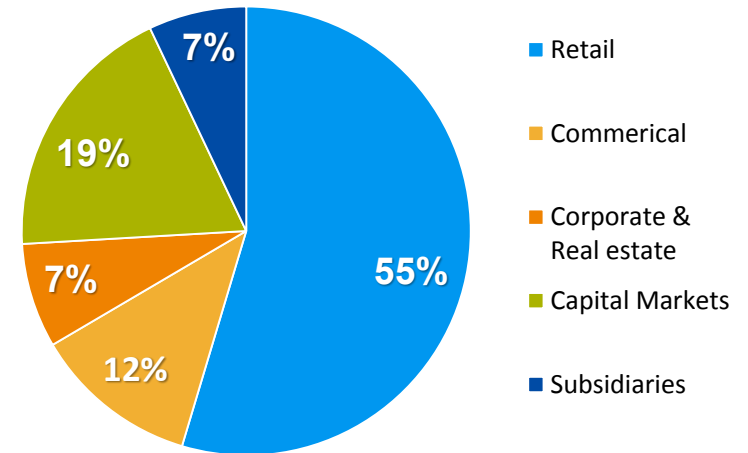


# Stable Liquidity. Conservative, Well-funded and Diverse Portfolio

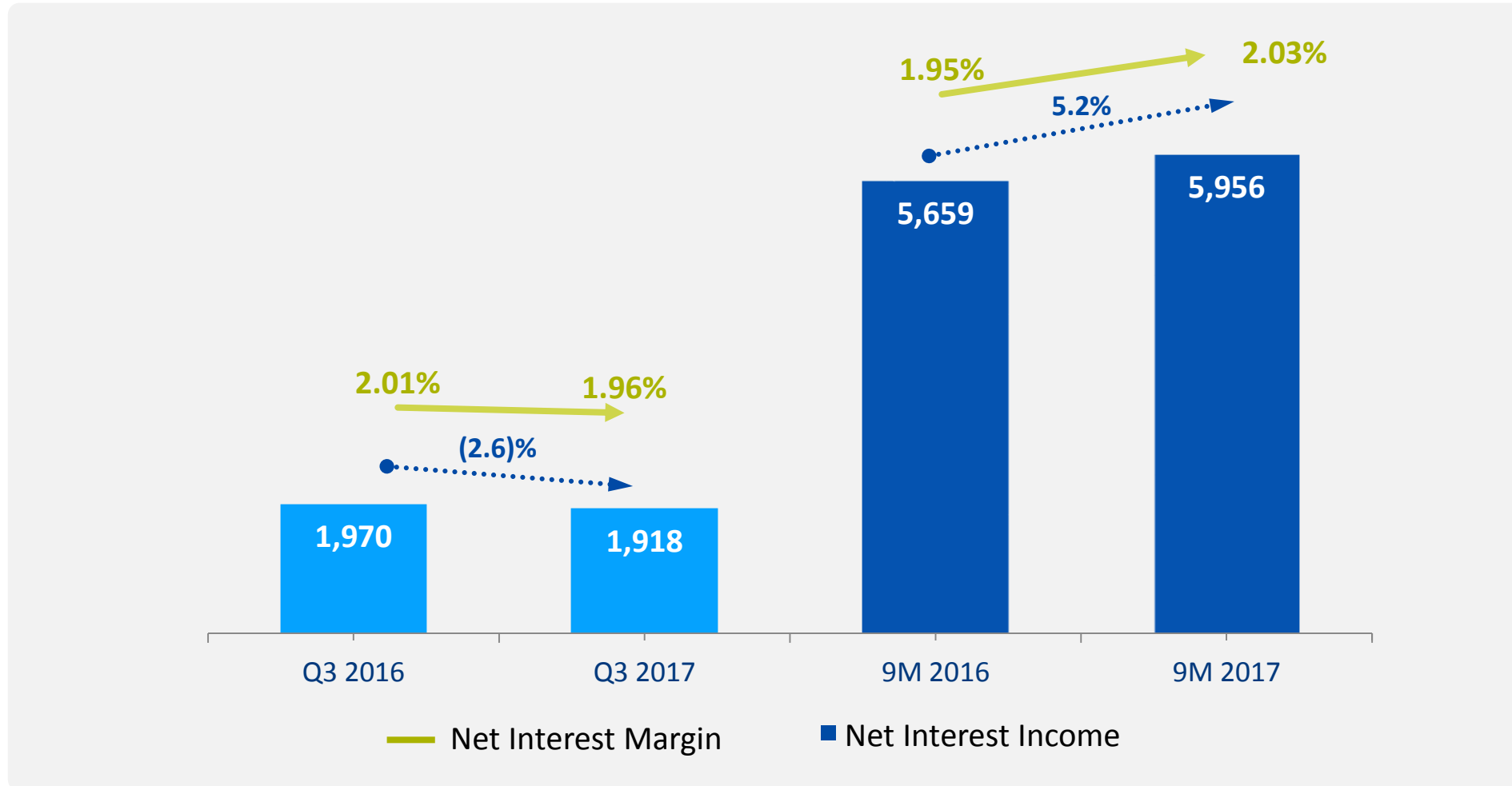


Net Loans to the Public, Deposits from the Public  
(NIS Billions)

Deposits from the Public 30.9.2017



# Strong Net Interest Income and Net Interest Margins



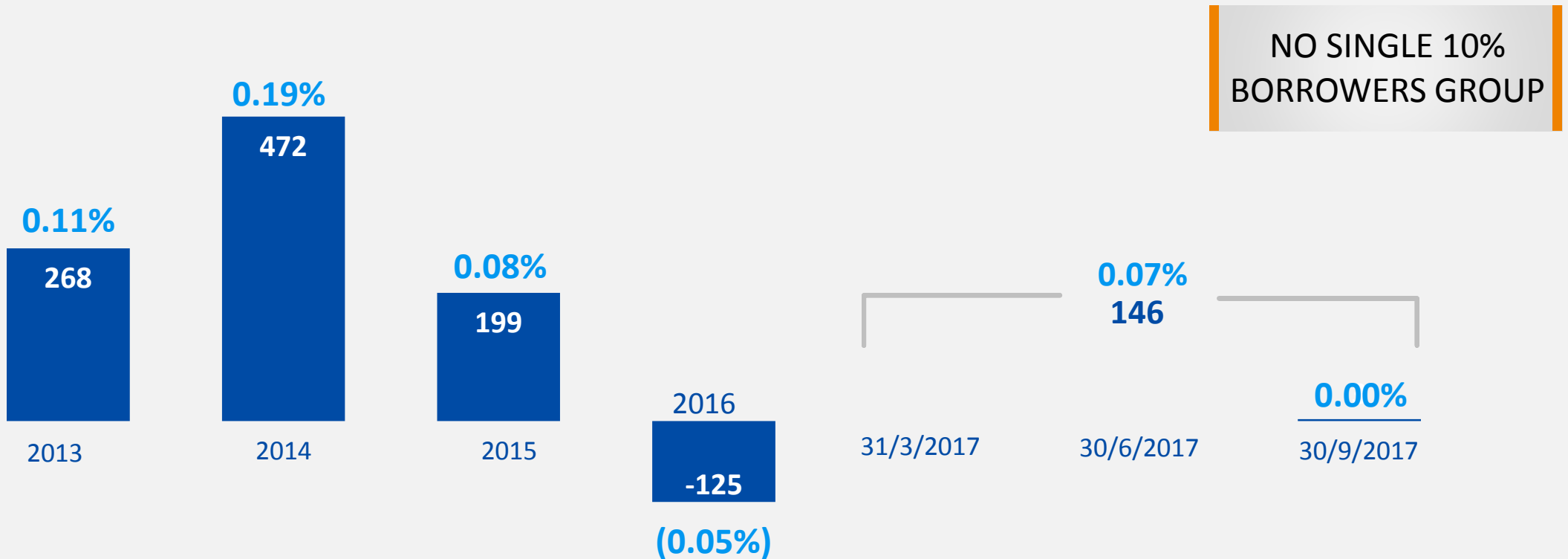
(NIS Millions)





# Maintaining Low Credit Loss Expenses, High Quality Loan Portfolio

## Low Credit Loss Expenses

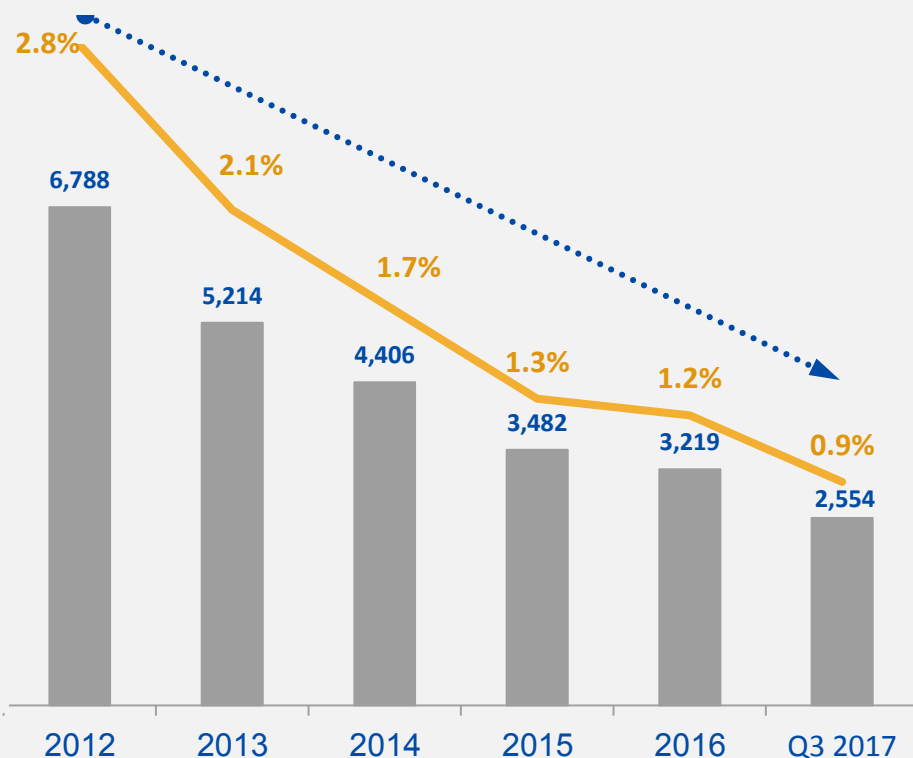


(NIS Millions)



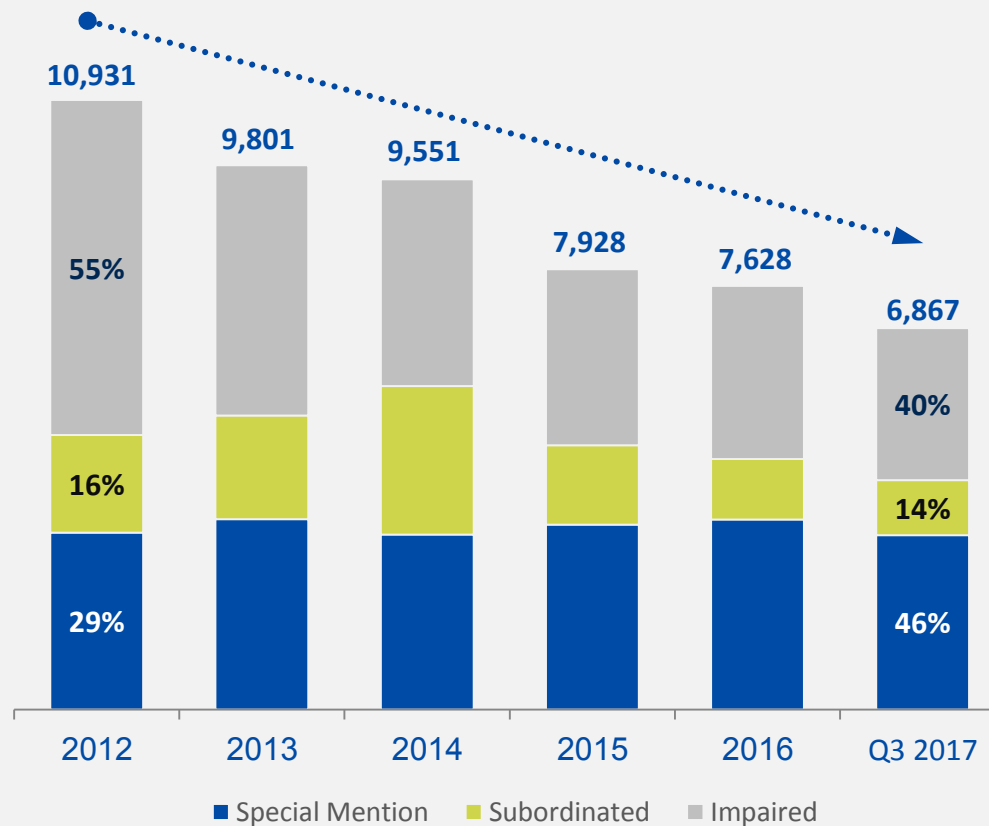
# Leading, Resilient and High Quality Credit Portfolio

## Substantial Improvement in NPL Ratio



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

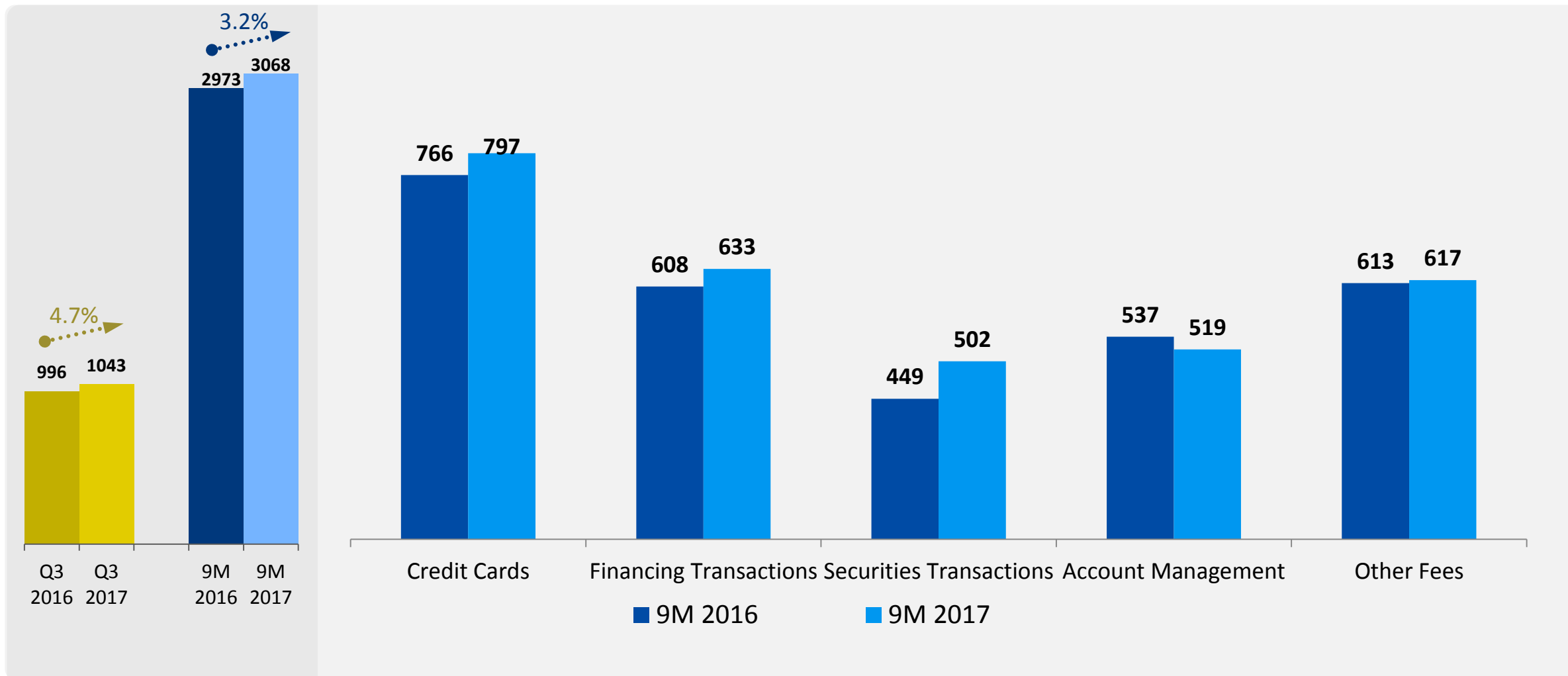
## Continuous Positive Trend in Problem Debts



(NIS Millions)



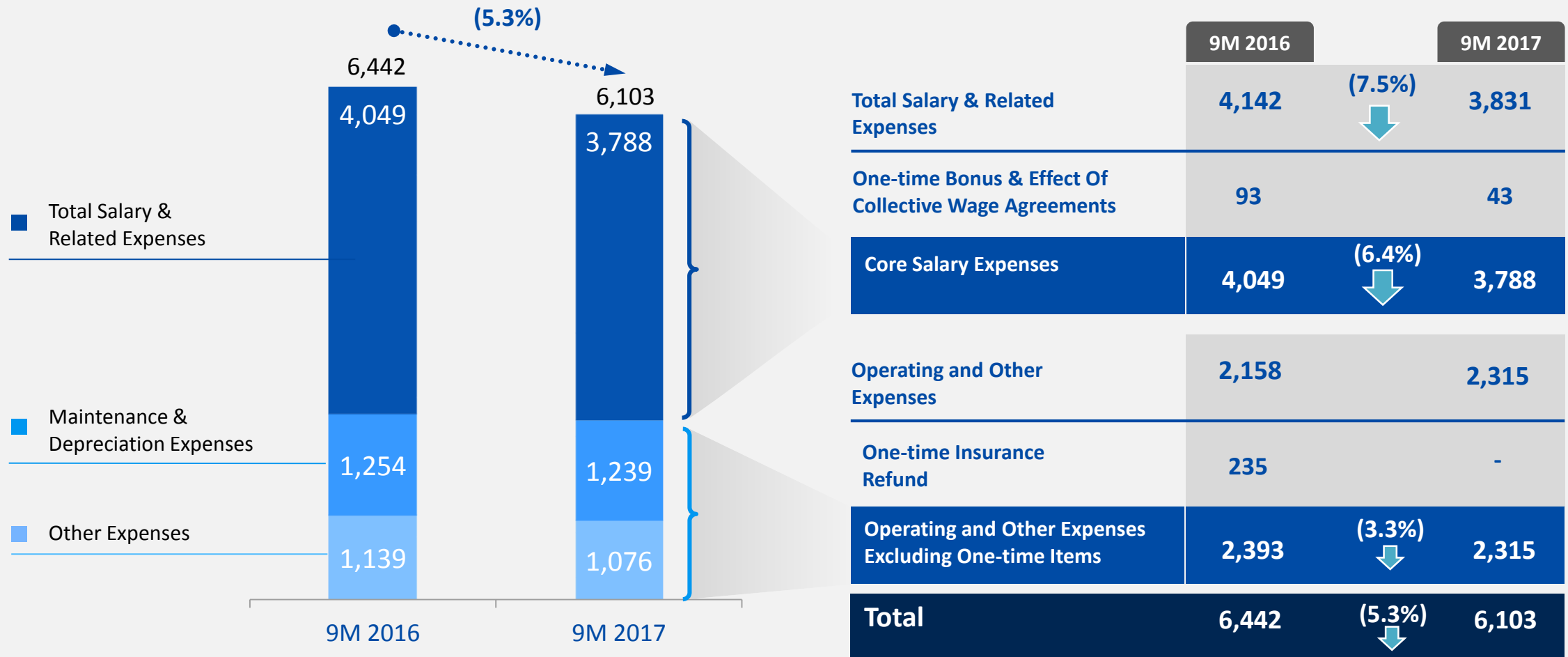
# Diverse and Increased Commission Revenue



(NIS Millions)



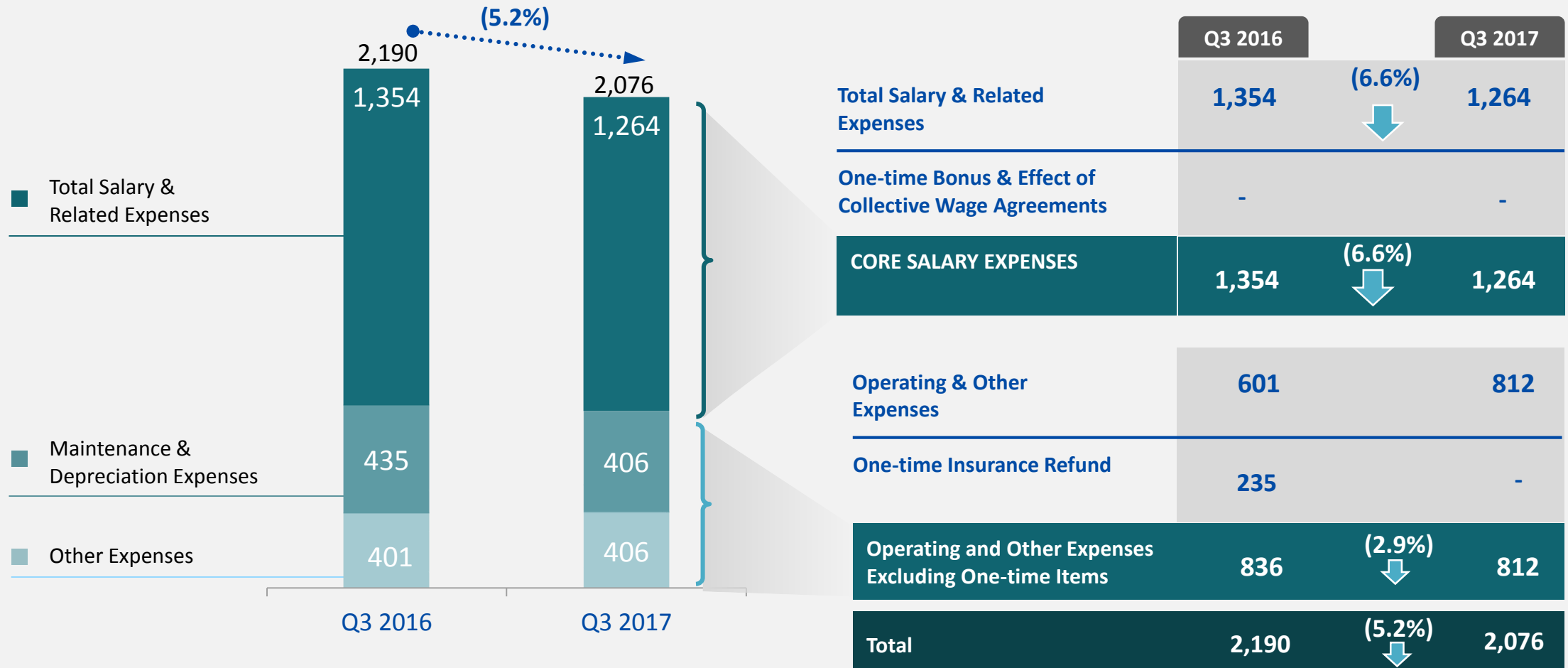
# 9M: Bearing the Fruit of Efficiency Measures



(NIS Millions)



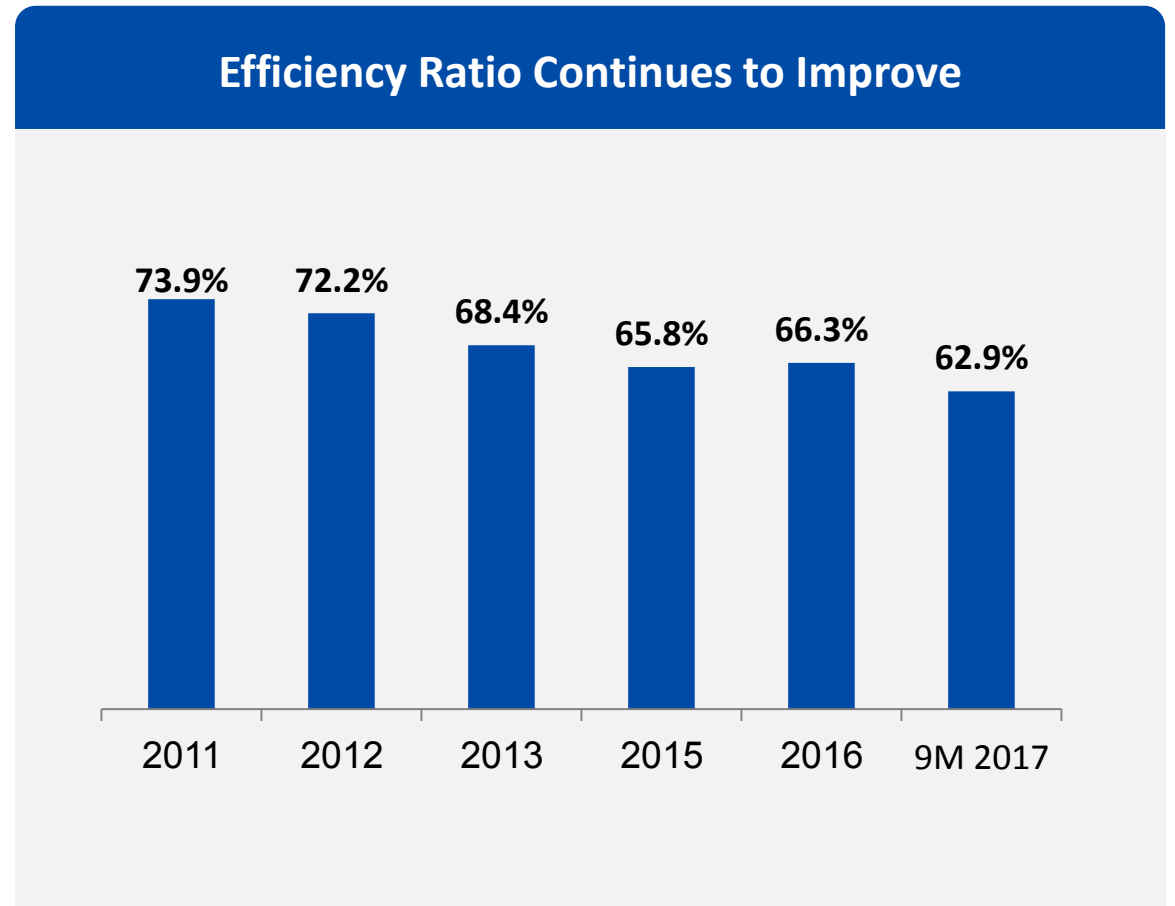
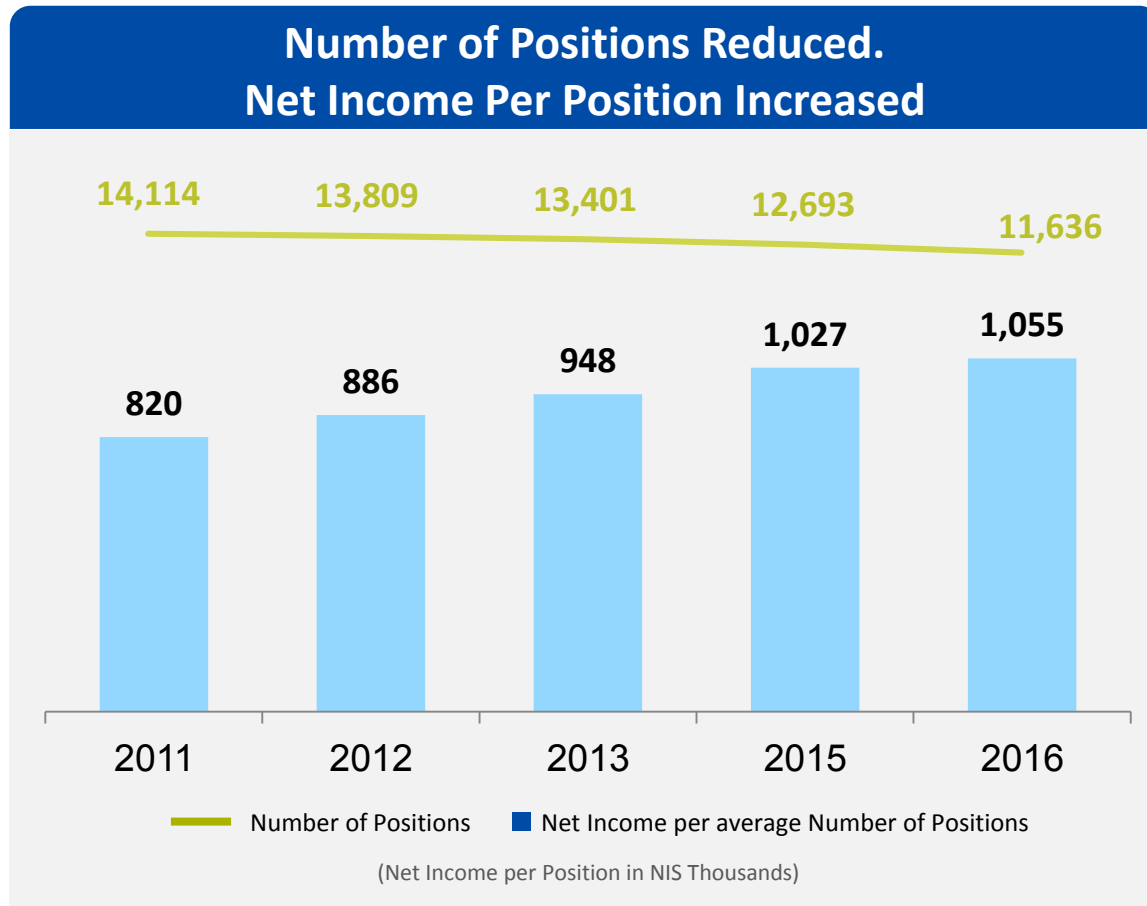
# Q3: Bearing the Fruit of Efficiency Measures



(NIS Millions)



# Efficiency Improving – Positions Reduced, Productivity Increased

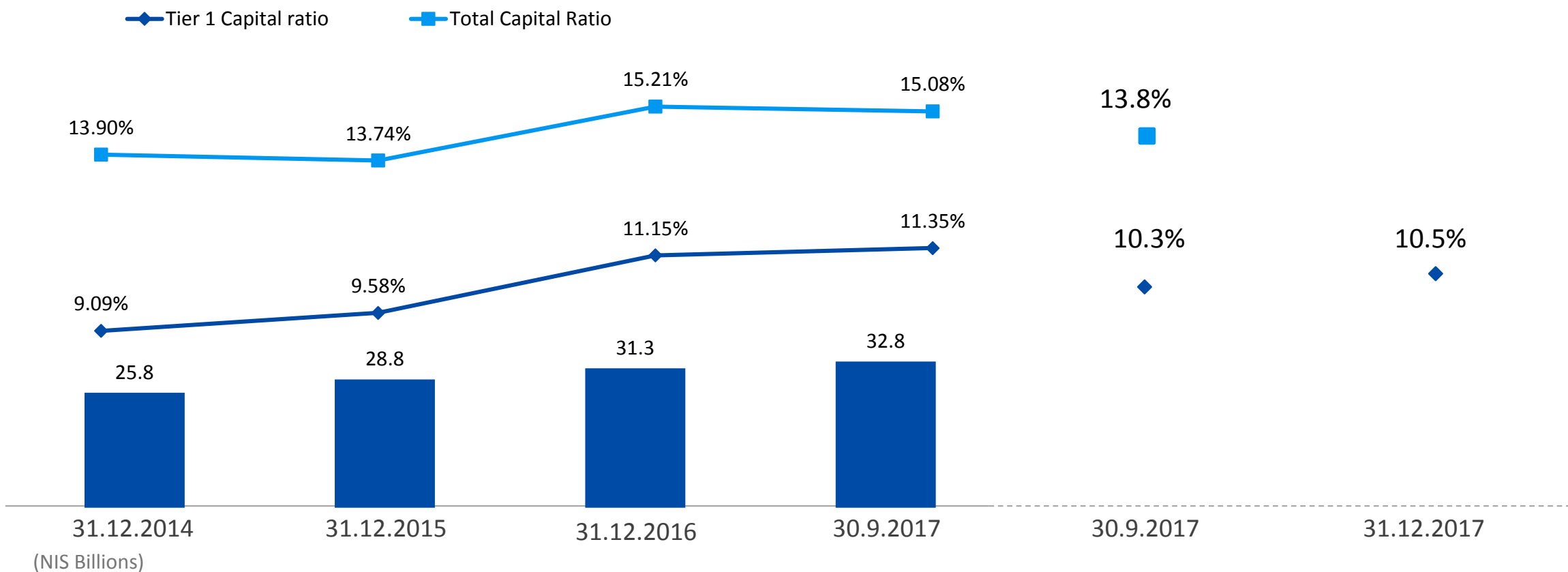


# A View of our Capital Adequacy Ratios

Rising Capital Ratios, Increased Dividend Policy

Regulatory Target

Leumi's Target





# Increased Dividend Policy

**Increased Dividend Policy to Up to 40%**

**Reflects a 4.6% Annual Dividend Yield**

**Q3 2017 Dividend Payout NIS 328 Million**



# Highlights

- Substantial Increase in Return on Equity from Core Business
- Efficiency Ratio Improved – Income Up, Expenses Down
- High Quality Credit Portfolio
- Leading Digital Banking Transformation In Israel, PEPPER
- Increased Dividend Policy to up to 40% on a Quarterly Basis





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Q&A





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THANK YOU



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# 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%	2.9%	4.0%
Private Consumption	6.1%	3.3%	4.9%
Current account surplus, % of GDP	3.8%	3.5%	3.2%
Government budget deficit, % of GDP	(2.1%)	(2.3%)	(2.7%)
Government debt, % of GDP	60.6%	60.3%	60.2%
Unemployment, Annual Average	4.8%	4.2%	4.0%
CPI, year-end change	(0.2%)	0.1%-0.6%	0.5%-1.5%
NIS-USD, average exchange rate	3.84	3.57-3.65	3.45-3.60
NIS-EUR, average exchange rate	4.25	4.00-4.10	4.05-4.20
Bank of Israel average interest rate	0.1%	0.1%	0.1%-0.3%

Source: Central Bureau of Statistics, \*Leumi forecast

