

Leumi Group

Q4 and Full Year 2012
Earnings Review

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Israeli economy

- GDP growth is expected to slow in 2013 compared to 2012.
- Rate of unemployment is expected to rise modestly in 2013.
- Ongoing trend of slowdown in the rates of growth of private consumption and fixed asset investment.
- Absent substantial fiscal steps, the debt/GDP ratio may start to rise, though the level far lower than in "crisis countries".
- Inflation is expected to remain low

Main Macroeconomic Variables	2011	2012 – official estimate*	2013 – Leumi forecast**
Annual Rates of Change, Real Terms			
GDP	4.6%	3.1%	3.3%***
Gross product of the business sector	5.1%	3.1%	3.5%
Percentage of GDP			
Current account surplus(+)/deficit (-)	1.4%	-0.1%	0.2%
Government budget surplus (+)/deficit (-)	-3.3%	-4.2%	-4.4%
Government debt	73.0%	74.0%	75.0%
Annual Average			
Unemployment rate (using new data definitions)	6.9%	7.0%	7.5%
Additional Data			
Consumer price index, year-end change	2.2%	1.6%	1.9%
Shekel / US\$ average exchange rate	3.58	3.86	3.74
Bank of Israel average interest rate	2.87%	2.35%	1.75%

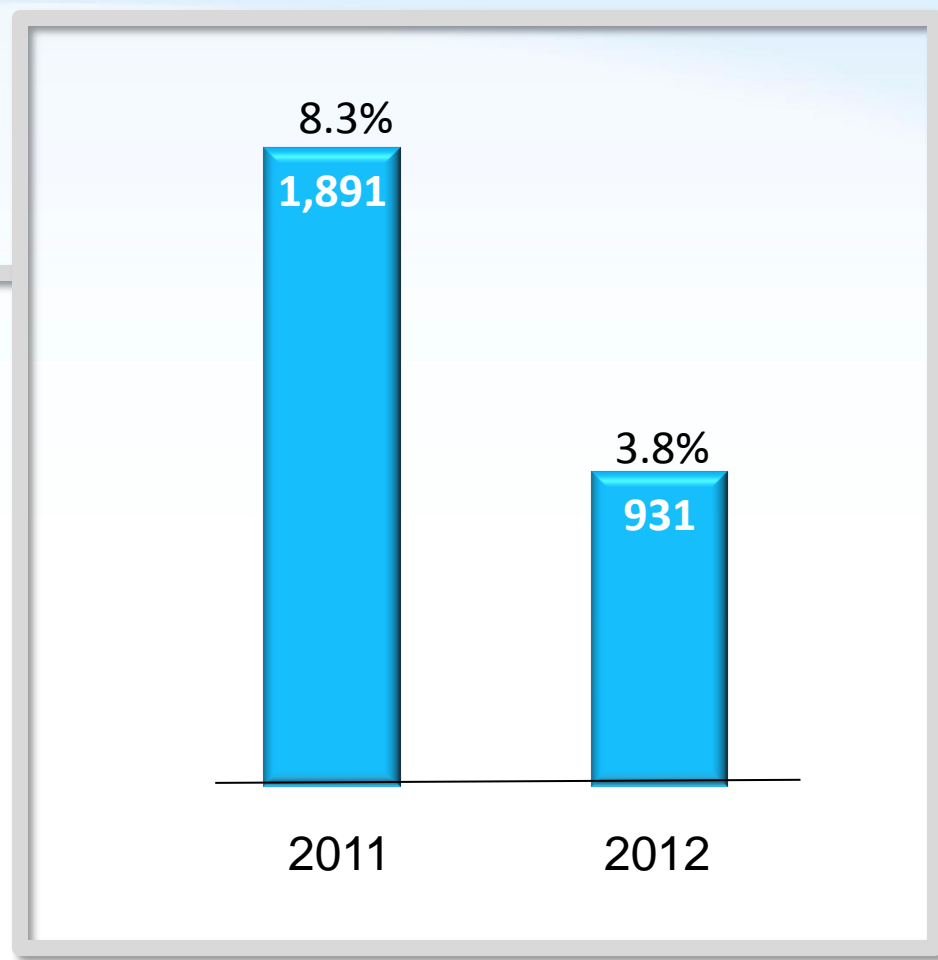
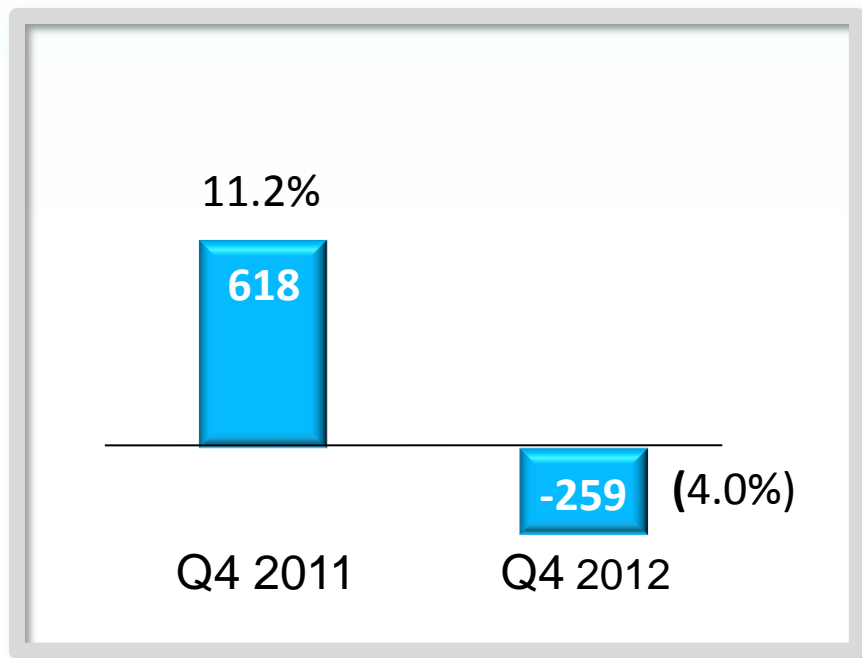
*Source: Central Bureau of Statistics **Leumi forecast, main scenario

***2013 GDP growth figure includes a technical impact from the inclusion of natural gas production in GDP of 0.8%

Net profit & ROE

NIS Millions, ROE %

Q4 2012 and FY results significantly impacted by a provision for expediting early retirement and a provision regarding US customers.



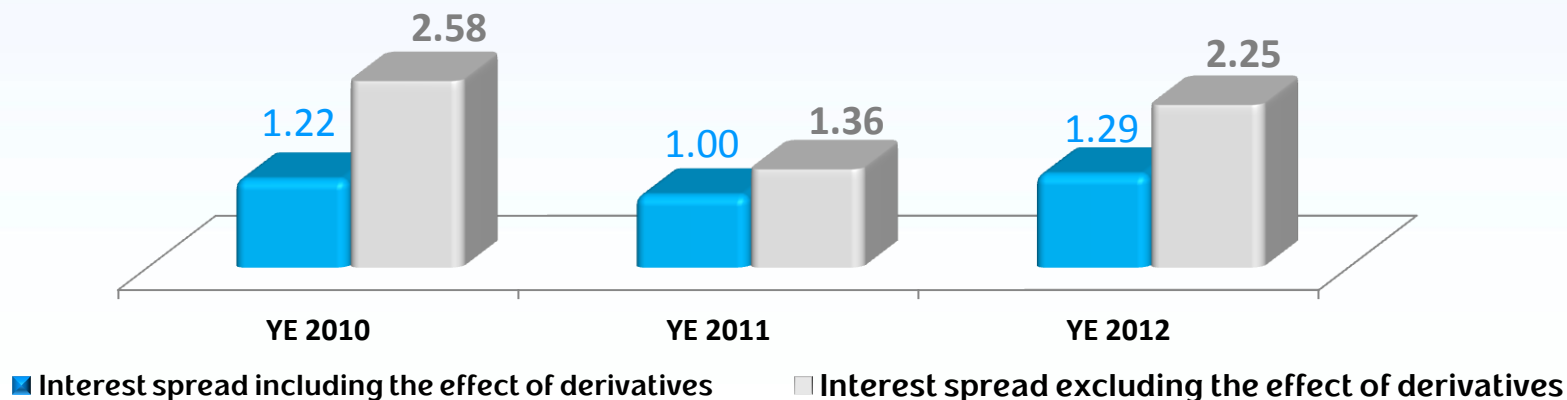
Financial performance

NIS millions

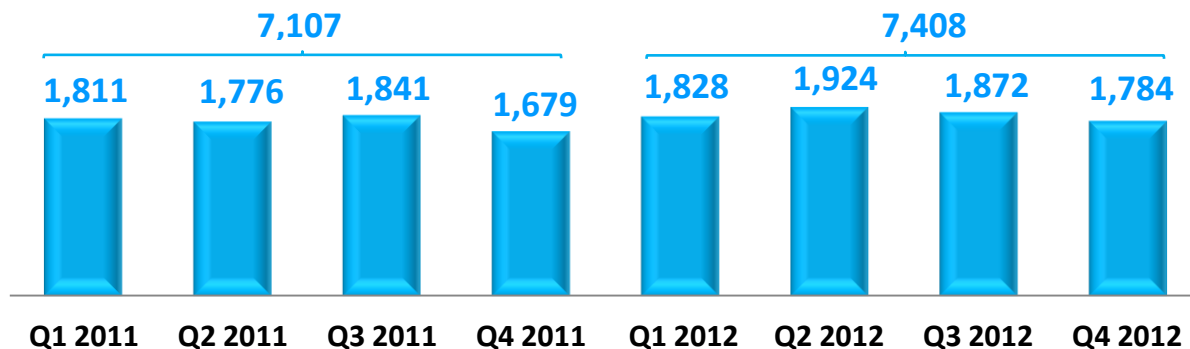
	FY 2012	FY 2011	Δ%	Q4 2012	Q4 2011	Δ%
Net Interest income	7,408	7,107	4.2	1,784	1,679	6.3
Noninterest income	4,774	4,175	14.3	1,394	1,203	15.9
Total Income	12,182	11,282	8.0	3,178	2,882	10.3
Expenses (income) in respect of credit losses	1,236	734	68.4	386	385	0.3
Operating and other expenses	9,100	8,341	9.1	2,611	2,121	23.1
Share of bank in associated companies	(67)	148	-	(199)	3	-
Net Profit	931	1,891	(50.8)	(259)	618	-

Net interest income and interest spread

Interest spread, including exchange rate differentials, accumulated for the period end

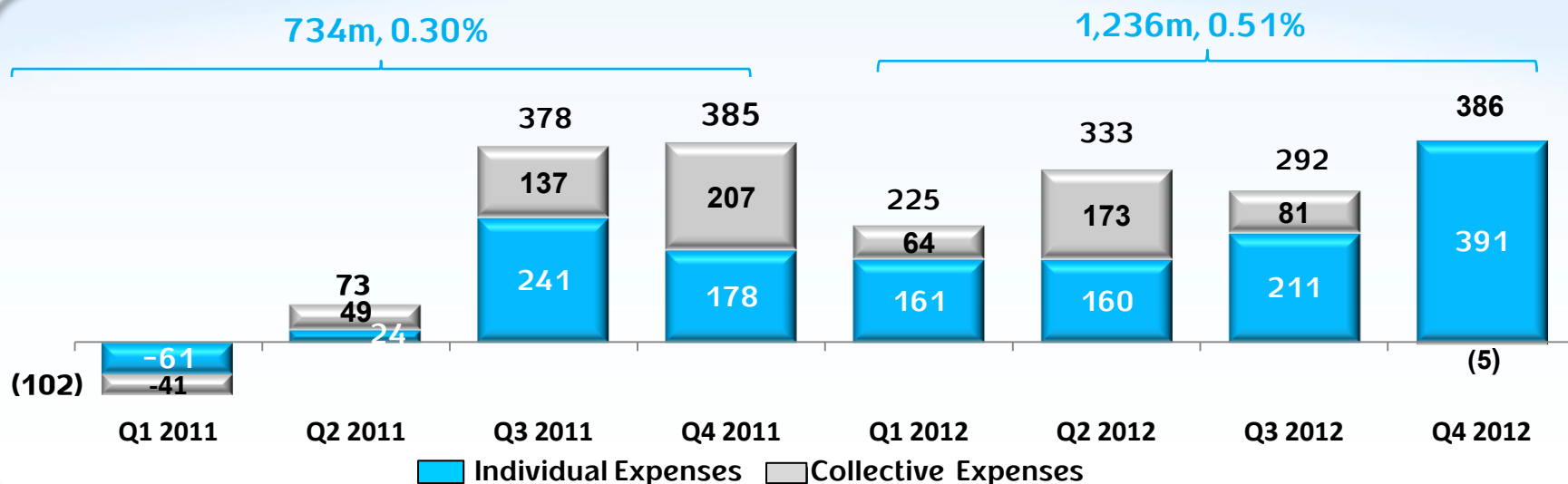


Net interest income, excluding exchange rate differentials and derivatives, in NIS millions



Expenses for credit losses

NIS millions



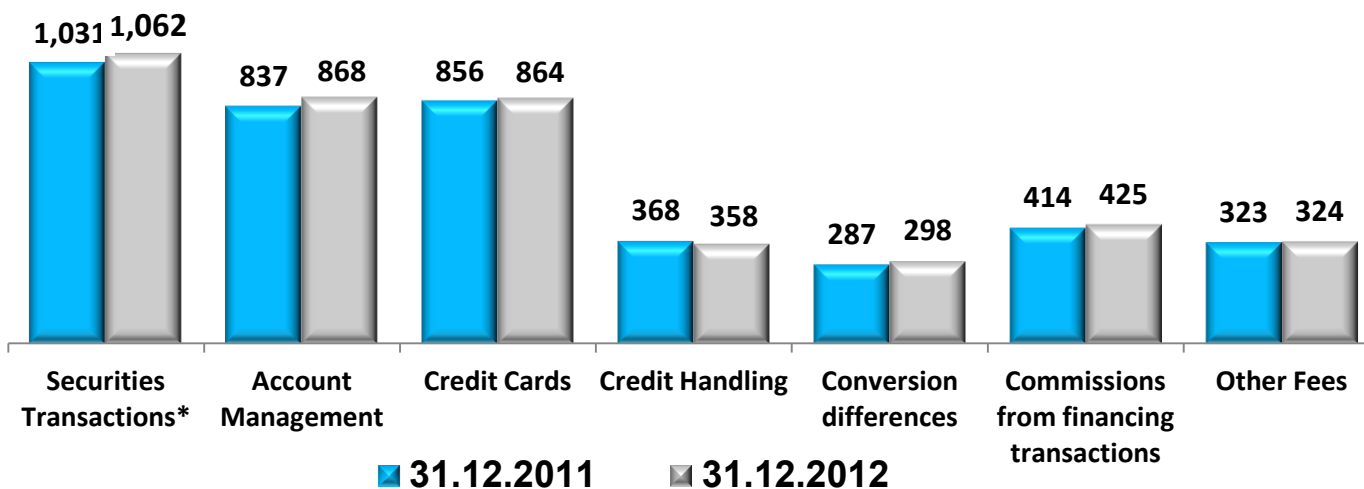
In %	2011					2012				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Individual expenses/total credit to the public	(0.11)	0.04	0.41	0.30	0.16	0.27	0.27	0.35	0.65	0.38
Collective expenses/total credit to the public	(0.07)	0.09	0.23	0.34	0.14	0.10	0.29	0.13	(0.01)	0.13
Total expenses/total credit to the public	(0.18)	0.13	0.64	0.64	0.30	0.37	0.56	0.48	0.64	0.51

Non-interest income and commission revenues

NIS millions

	31.12.2012	31.12.2011	Δ	Δ%
Commission revenues	4,199	4,116	83	2.0
Non-interest financing income	444	11	433	+
Other income	131	48	83	172.9
Total	4,774	4,175	599	14.3

Commission revenues constitute 88% of total non-interest income, NIS millions

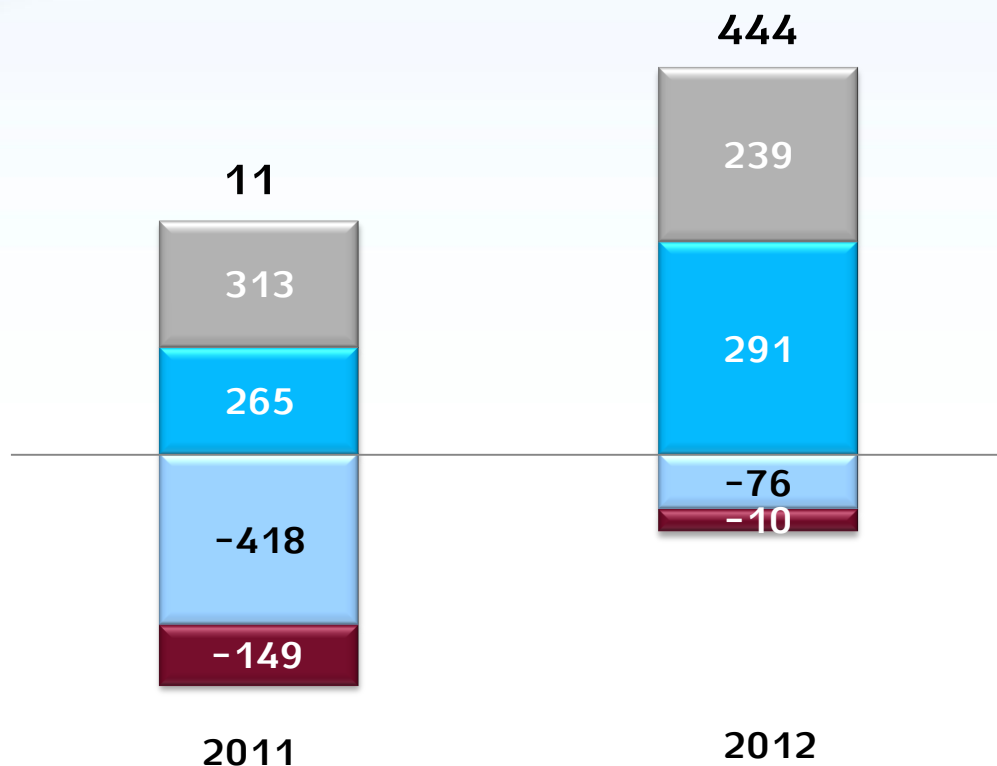


■ 31.12.2011 ■ 31.12.2012

*Includes financial product distribution commissions

Non-interest financing income

NIS millions



Realized and unrealized gains from adjustments of tradable bonds and shares to fair value, net

Profits (losses) from investments in shares, including dividends*

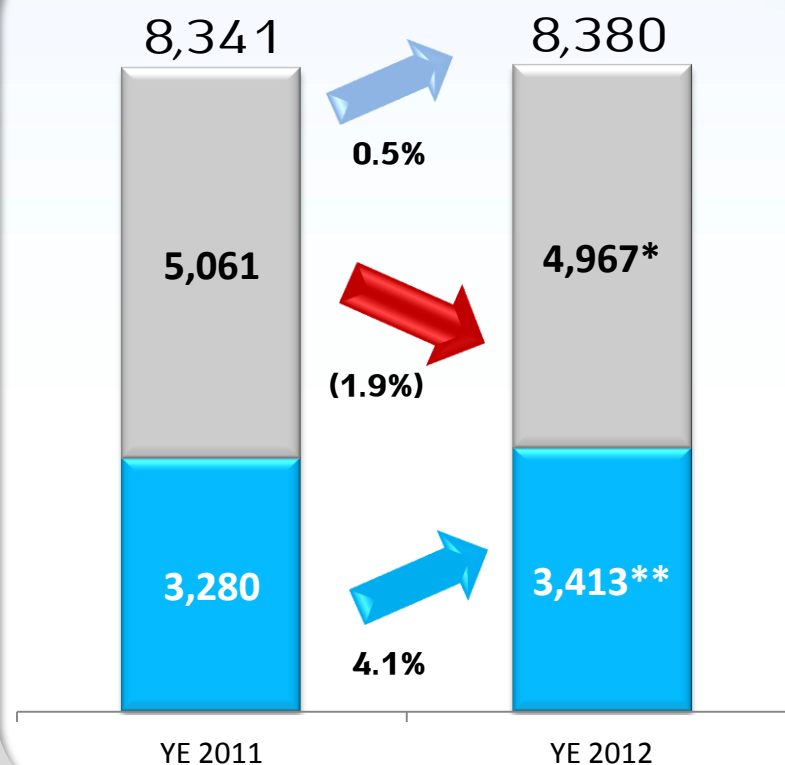
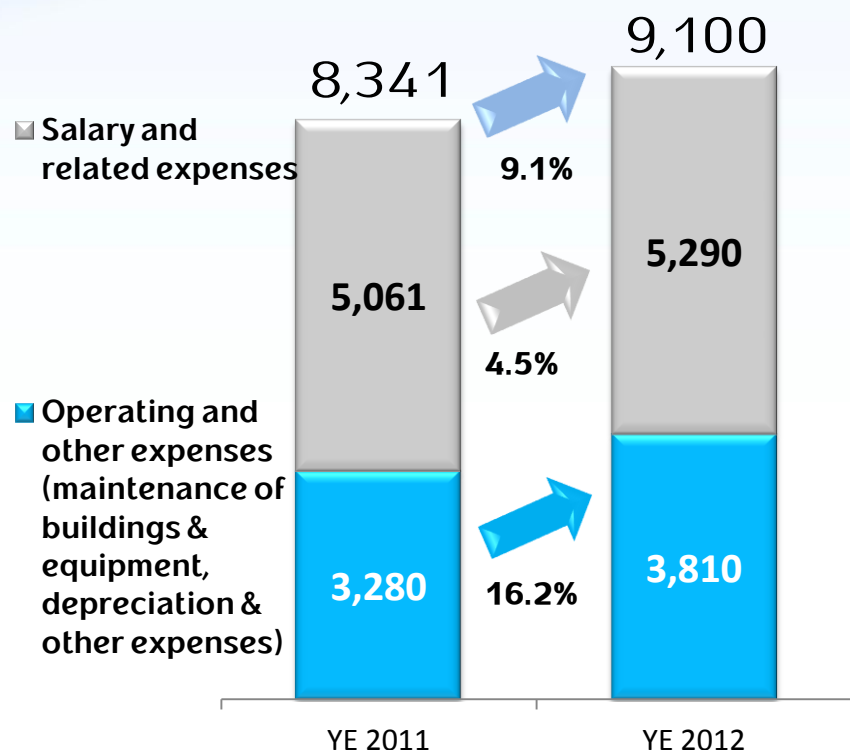
Profits from sale of available for sale bonds, net

Income (expenses) in respect of derivatives and exchange rate differentials, net

*Including the recording of an impairment of a nature other than temporary in respect of the investment in the shares of Partner Communications Ltd. amounting to NIS 160 m net, in 2012 and NIS 239 m net, in Q3 of 2011

Total operating and other expenses remain unchanged (after neutralizing special provisions)

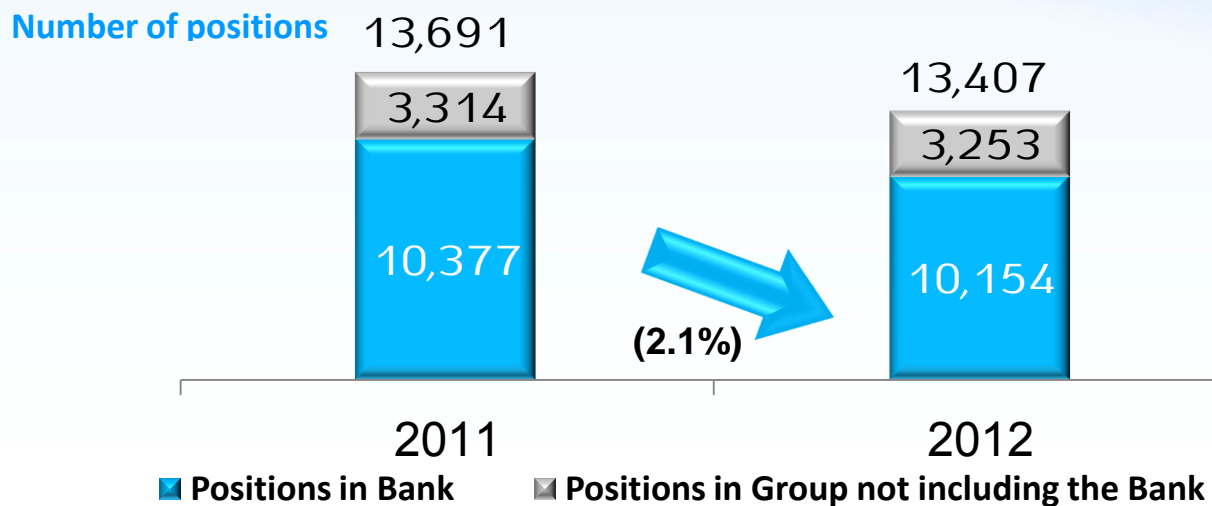
NIS millions



*Excluding NIS 323m provision for expediting early retirement

**Excluding NIS 397m provision for US customers.

Workforce: implementation of efficiency program

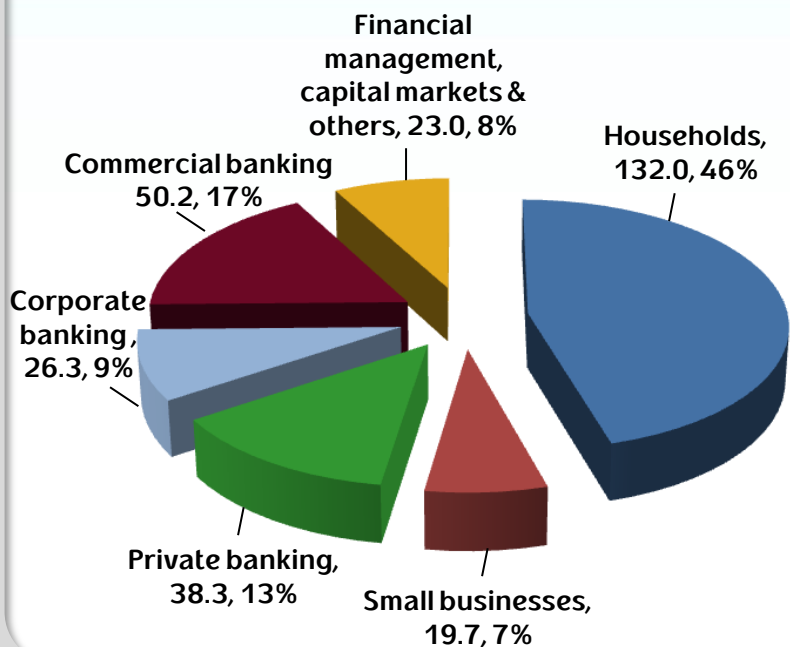


	2012	2013 to 2022
Natural retirement in the Bank	70	2200

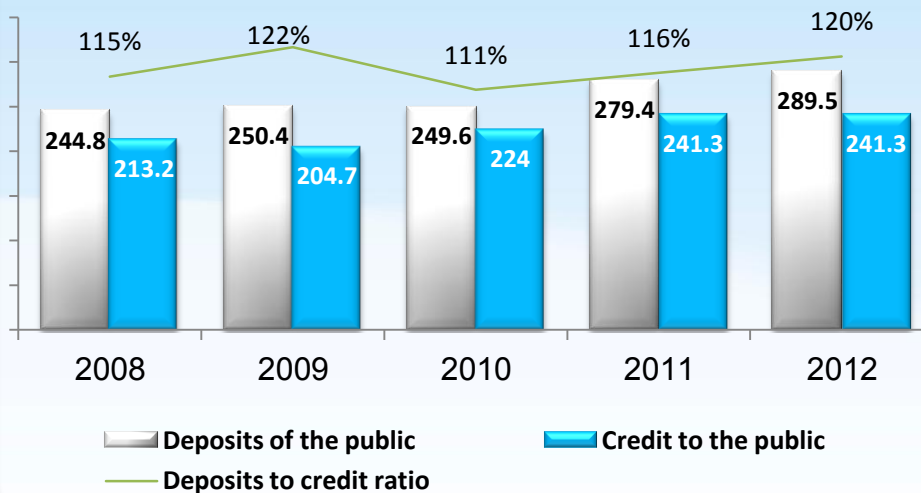
Deposits

NIS billions, %

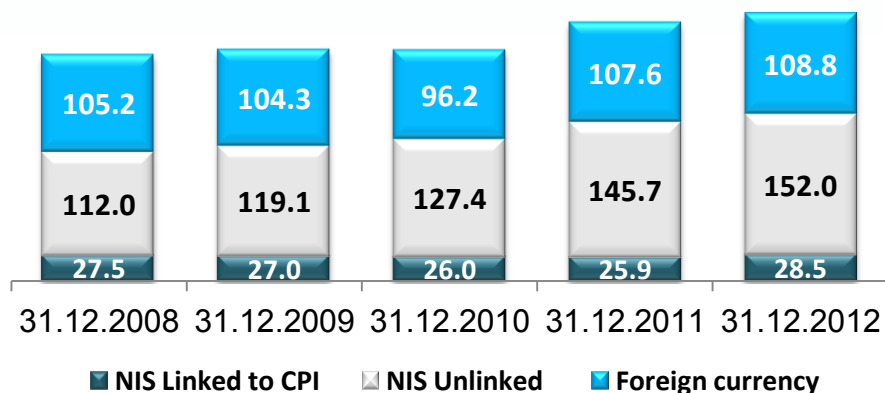
Deposits of the public by principal operating segment



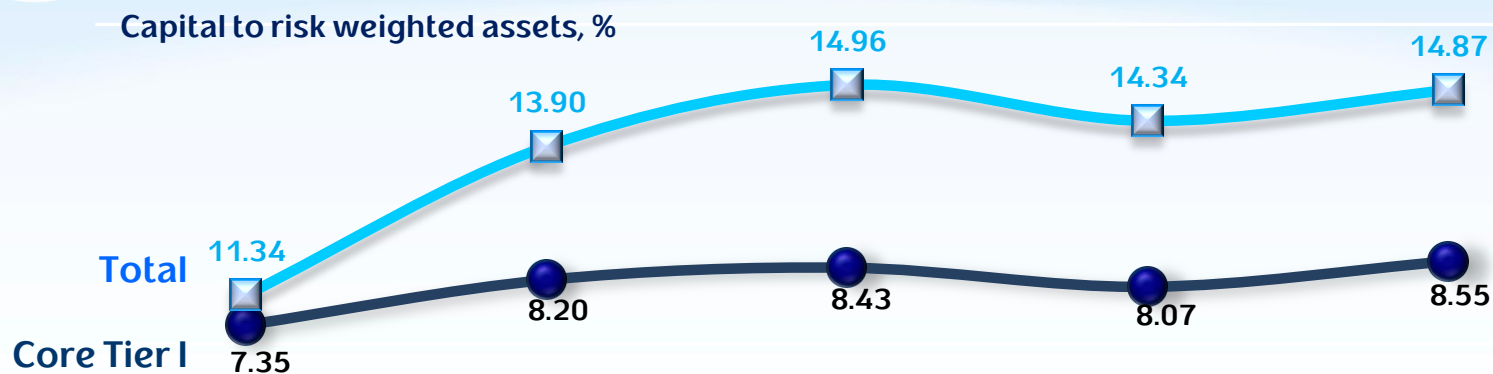
Deposits to Credits



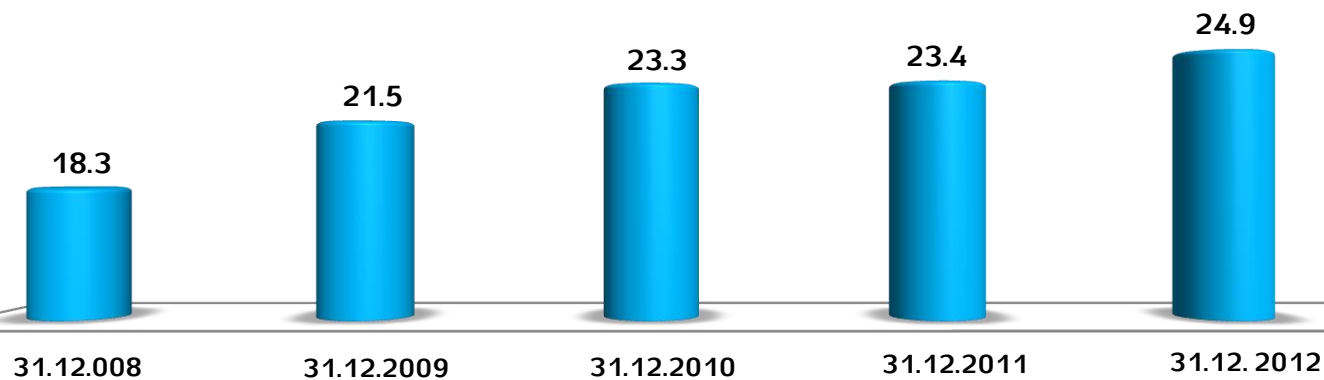
Deposit by linkage segment



Capital: positioned to meet regulatory requirements



Capital development, NIS billions



Principal Results

	2011	2012
	NIS millions	
Net Profit	1,891	931
OCI	(686)	713
Other Net Profit	1,205	1,644
	%	
Return on Equity	8.3	3.8
Capital Adequacy	14.34	14.87
Core Capital Adequacy	8.07	8.55

Core Activity

Efficiency

Efficiency Ratio: 75%



Core Activity

Efficiency

Efficiency program

NIS 323 Million



Core Activity

Efficiency

Efficiency Ratio:

~~75%~~

68%



Core Activity



Improving Efficiency Ratio

Adapting to the “New Customer”

Core Activity

Assets under
Management

Assets under Management

NIS 989 billion + 10%



Core Activity

Deposits

Deposits NIS 289 billion +3.6%



Core Activity

Credits

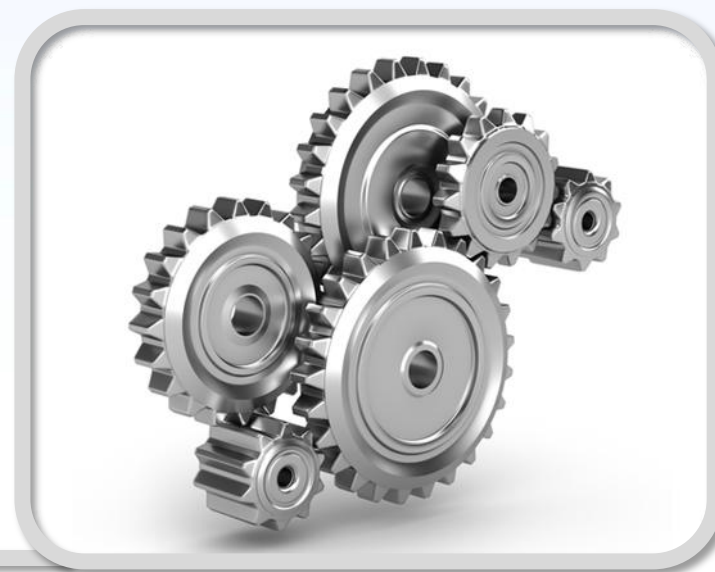
Credits NIS 241 billion



Core Activity

Credits

Credit Mix:

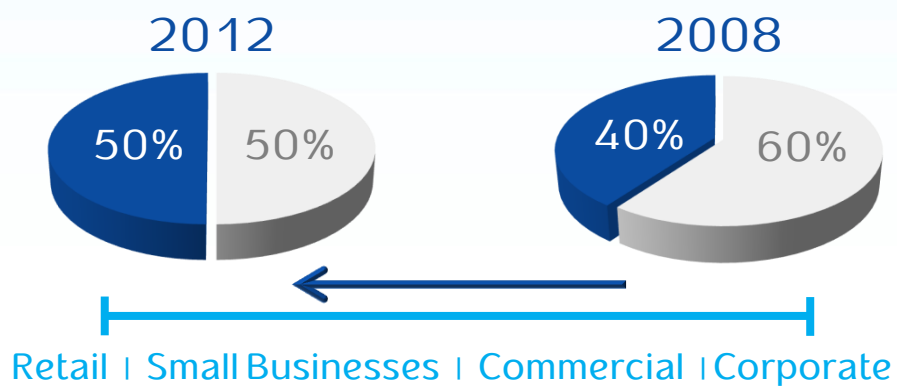


←
Retail | Small Businesses | Commercial | Corporate

Core Activity

Credits

Credit Mix:



- Retail and Small Businesses
- Corporate Commercial

Core Activity

Credits

Exposure to large borrowers

Bank of Israel	120%
Leumi	18%



Core Activity

High
Liquidity

$$76\%^* = \frac{\text{Credit Deposits}}{\text{Deposits}}$$



* Includes debentures, bonds and subordinated notes.

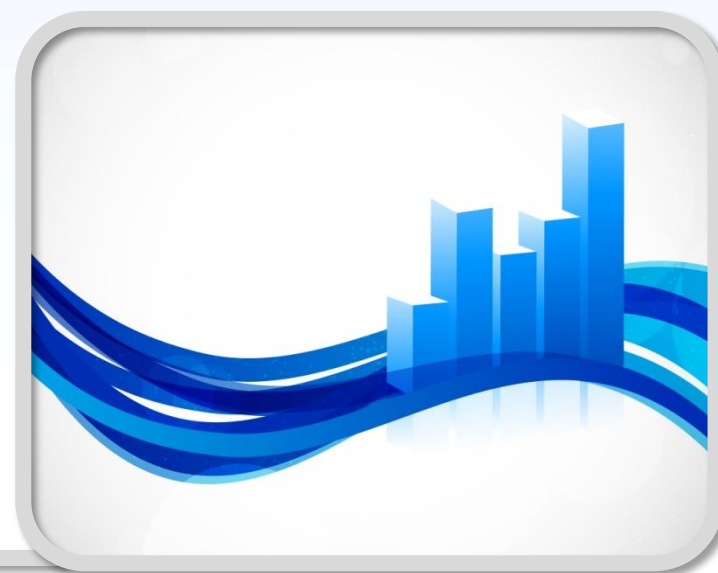
Core Activity

Income

Increase in Income: NIS 900 million

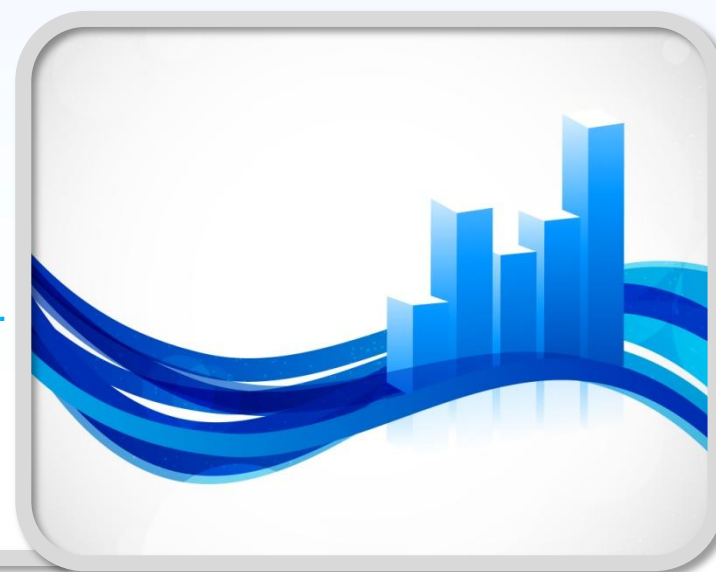
Interest Income	+301
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Non-interest Income	+599
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Core Activity

- ✓ Assets under Management... about NIS 1 trillion
- ✓ Income...increase of almost NIS 1 billion
- ✓ Highest Liquidity in the Banking System...
- ✓ Highest Quality Credit Portfolio in the Banking System...



Thank you