

Leumi Group

2013 Earnings Presentation

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Israeli economy

- Expected 2014 GDP growth positive in per-capita terms, continues to outpace many OECD countries
- Better than expected fiscal performance in 2013
- Inflation remains very low
- Bank of Israel expected to maintain interest rate at 0.75% for 1H 2014
- Unemployment relatively low, expected to hold steady in 2014

Main Macroeconomic Variables	2012*	2013**	2014**
Annual Rates of Change, Real Terms			
GDP	3.4%	3.3%	3.4%
GDP net of technical impact of gas inclusion	---	2.4%	3.0%
Percentage of GDP			
Current account surplus(+)/deficit (-)	0.3%	2.5%	2.3%
Government budget surplus (+)/deficit (-)	-4.2%	-3.1%	-2.7%
Government debt (central)	67%	66%	66%
Annual Average			
Unemployment rate (using new data definitions)	6.9%	6.2%	6.2%
Additional Data			
Consumer price index, year-end change	1.6%	1.8%	1.2%
Shekel / US\$ average exchange rate	3.86	3.61	3.49
Bank of Israel average interest rate	2.35%	1.39%	0.90%

*Source: Central Bureau of Statistics **Leumi forecast

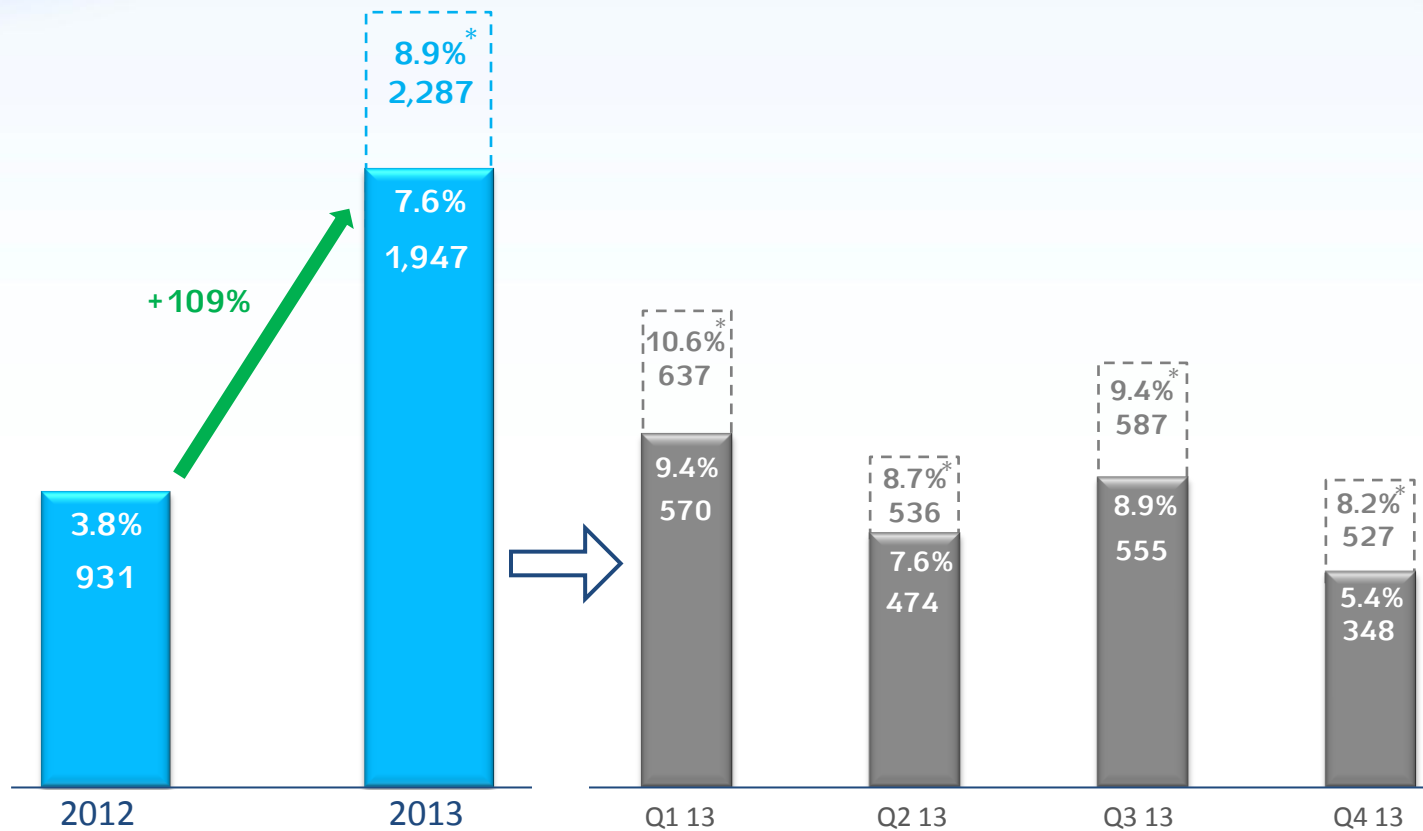
Principal Results

	2013	2012	Δ %
	NIS millions		
Total Income	12,874	12,182	5.7
Expenses in respect of credit losses	268	1,236	(78.3)
Net interest income after expenses in respect of credit losses	7,089	6,172	14.9
Operating & other expenses	8,933	9,100	(1.8)
Net Profit	1,947	931	109.1
	%		
Return on Equity	7.6	3.8	
Capital Adequacy	14.82*	14.87	
Core Capital Adequacy	9.43*	8.55	

*Basel III, 1.1.2014: CAR 14.20%; CT1 9.20%

Net profit & ROE

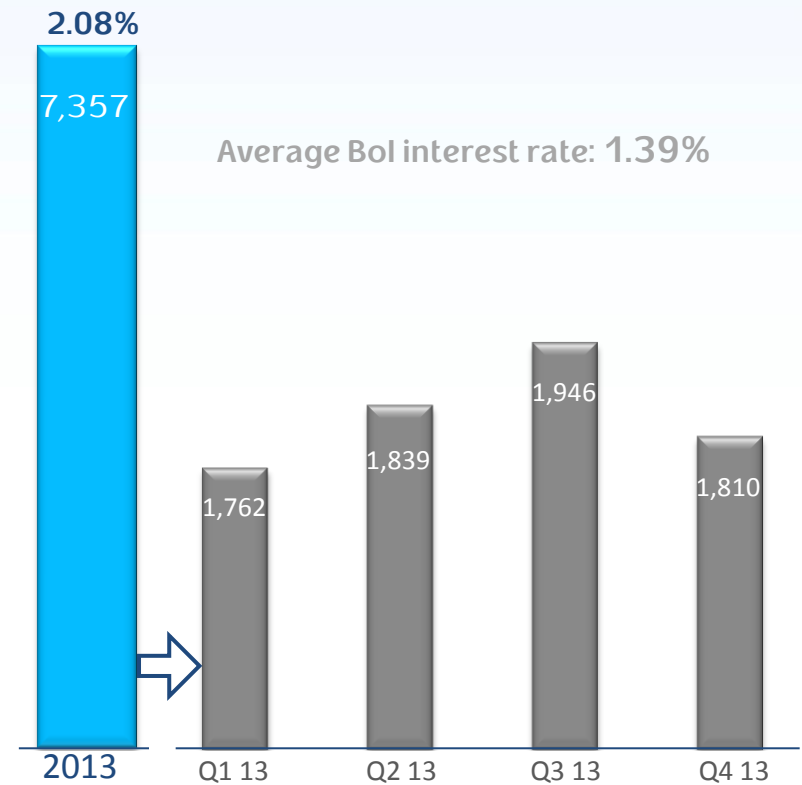
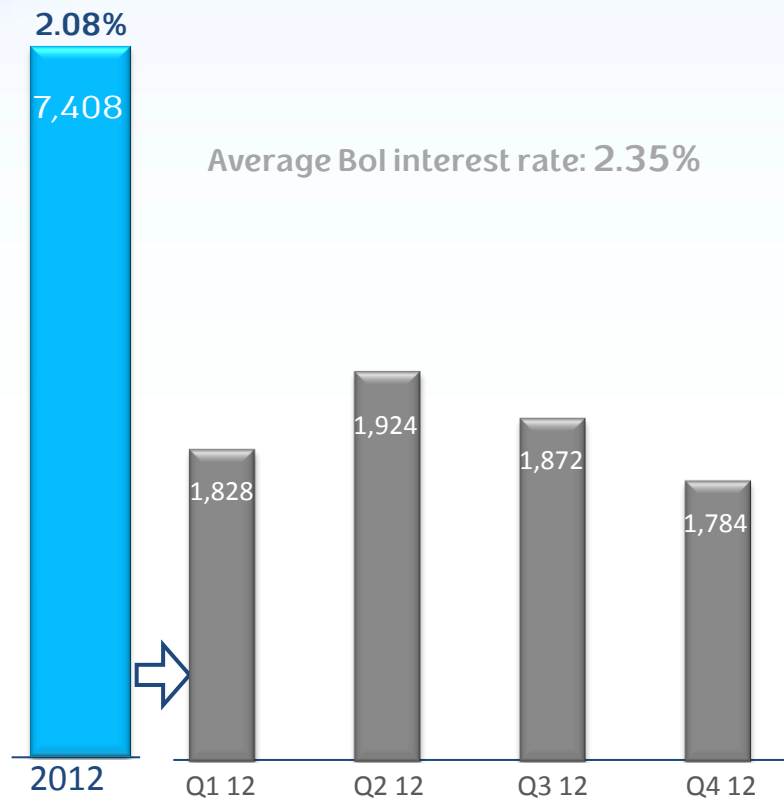
NIS millions, ROE %



*Excluding the loss of Israel Corp.

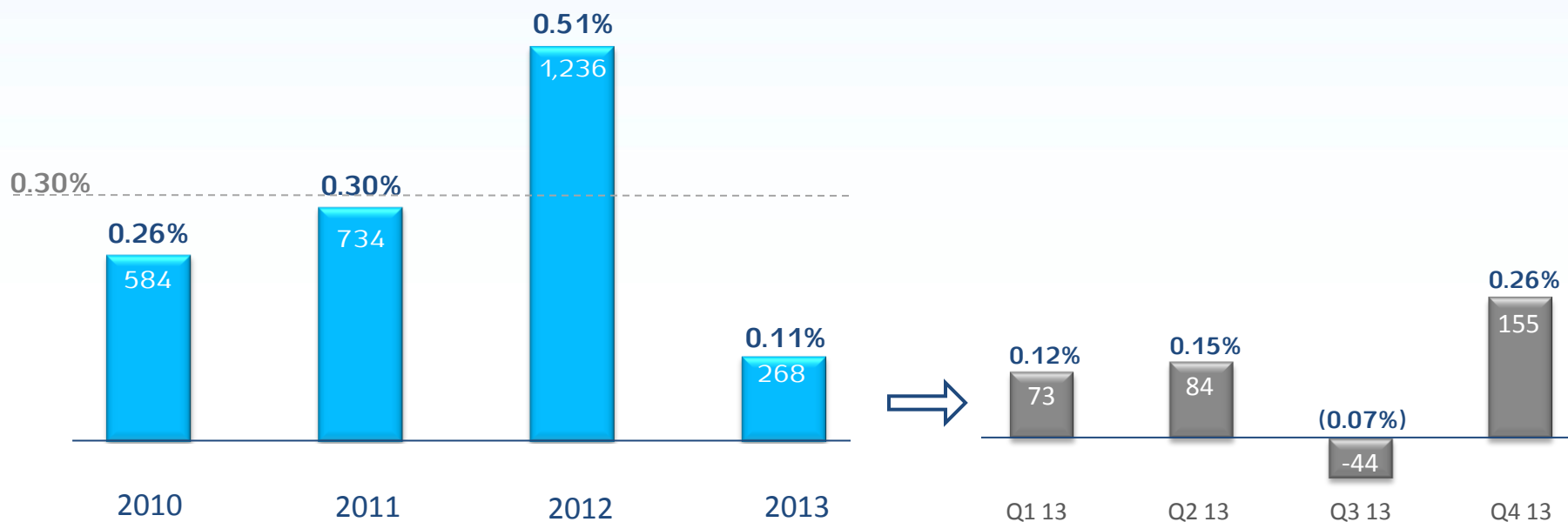
Low interest rates continue to impact net interest income

NIS millions, interest margin %



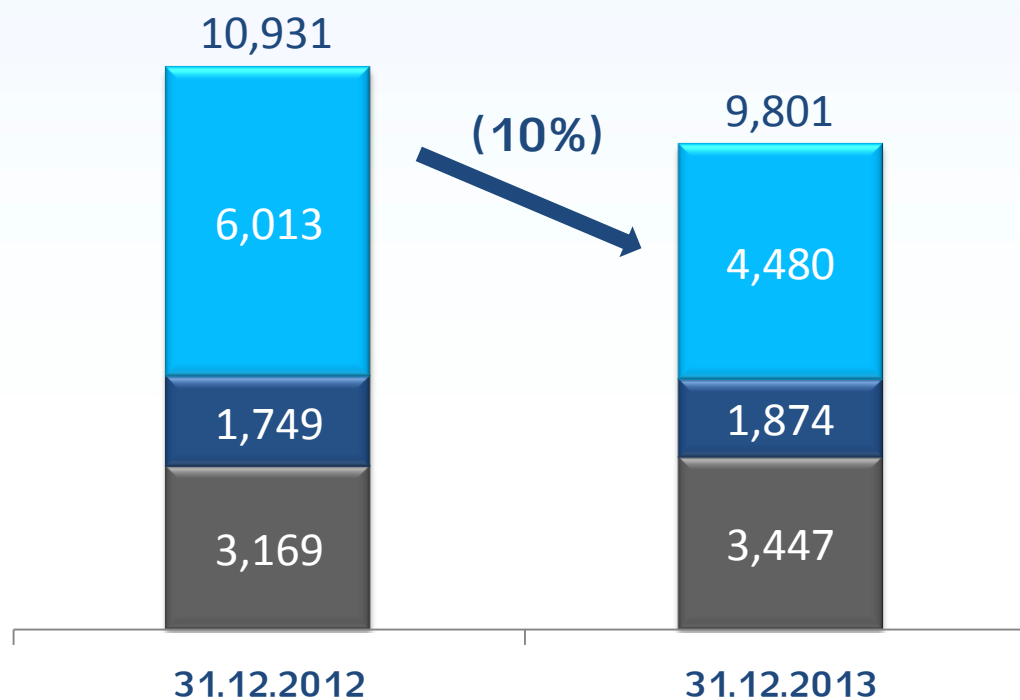
Rate of provision is significantly below the 4 year average

NIS millions



Problem debts

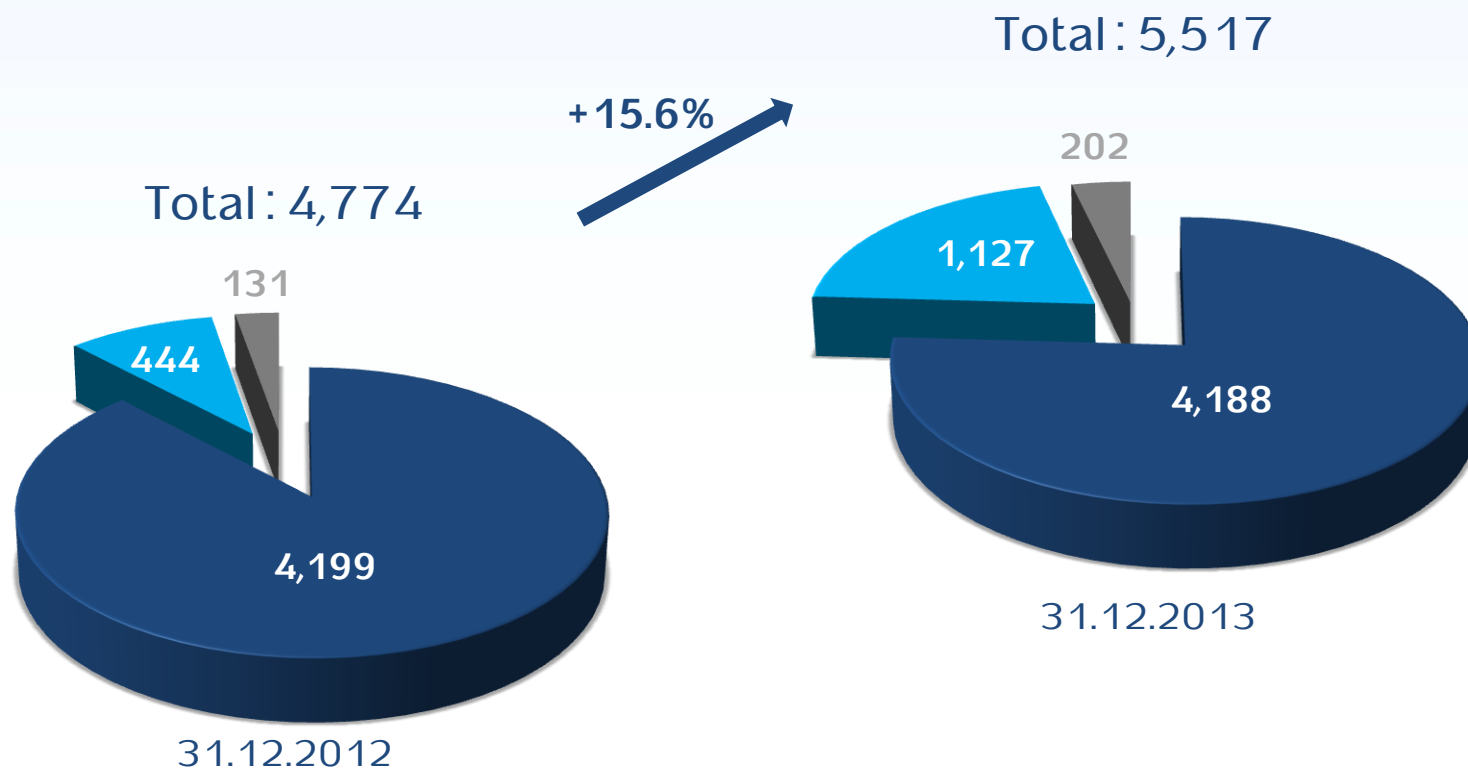
NIS millions



■ Impaired debts ■ Substandard debts ■ Debts under special mention

Non-interest income

NIS millions



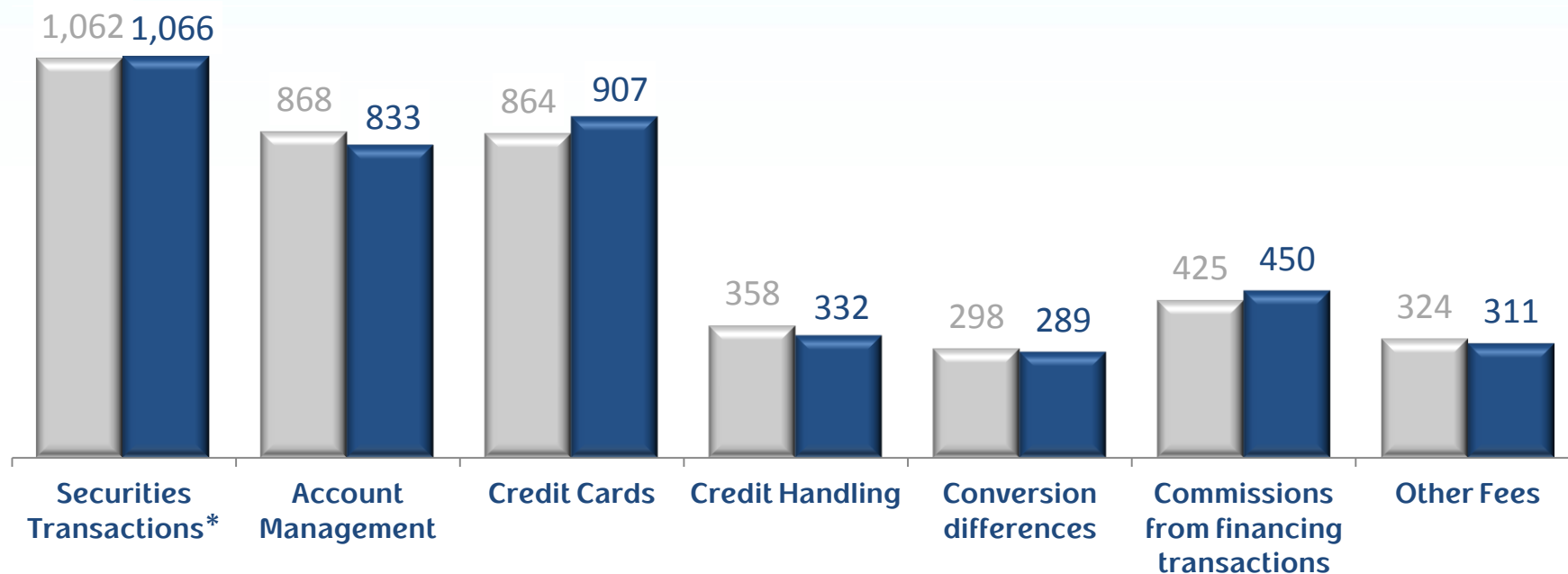
■ Operating Commissions ■ Non-interest financing income ■ Other income

Commission revenue stable and diverse

NIS millions

Total 31.12.2012: 4,199

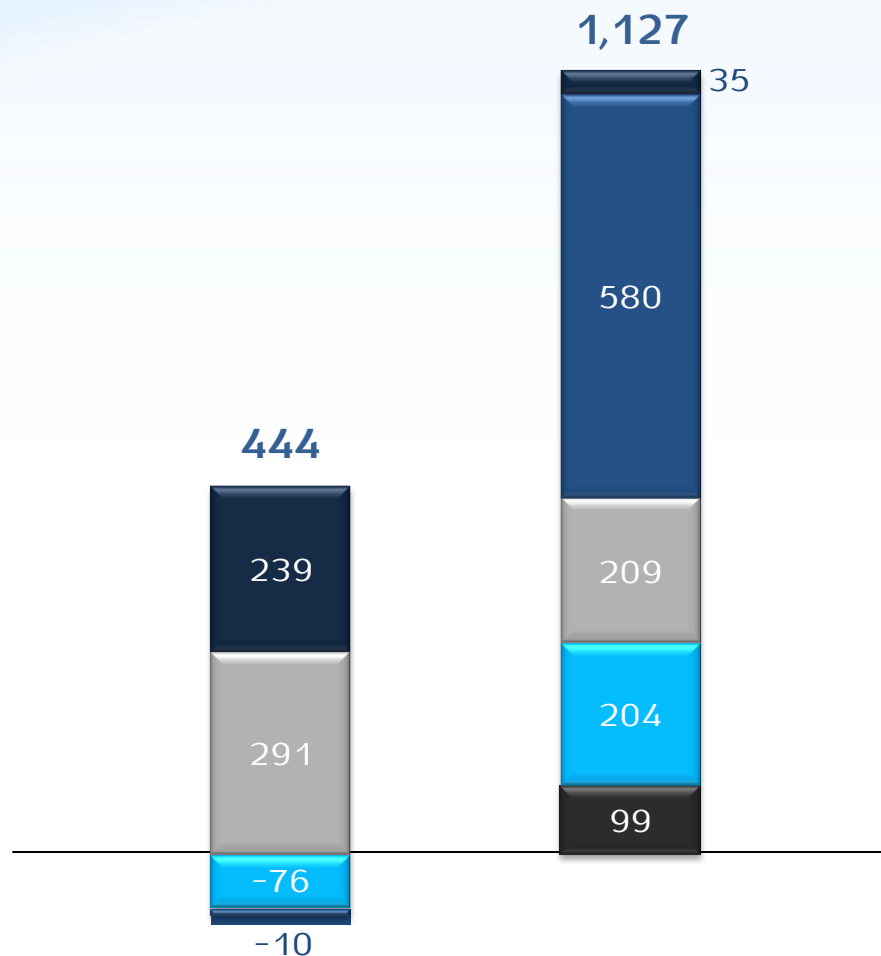
Total 31.12.2013: 4,188



*Includes financial product distribution commissions

Non-interest financing income

NIS millions



Net profits (losses) from realized and unrealized gains from adjustments to fair value of tradable bonds and shares

Profits (losses) from investments in shares, including dividends

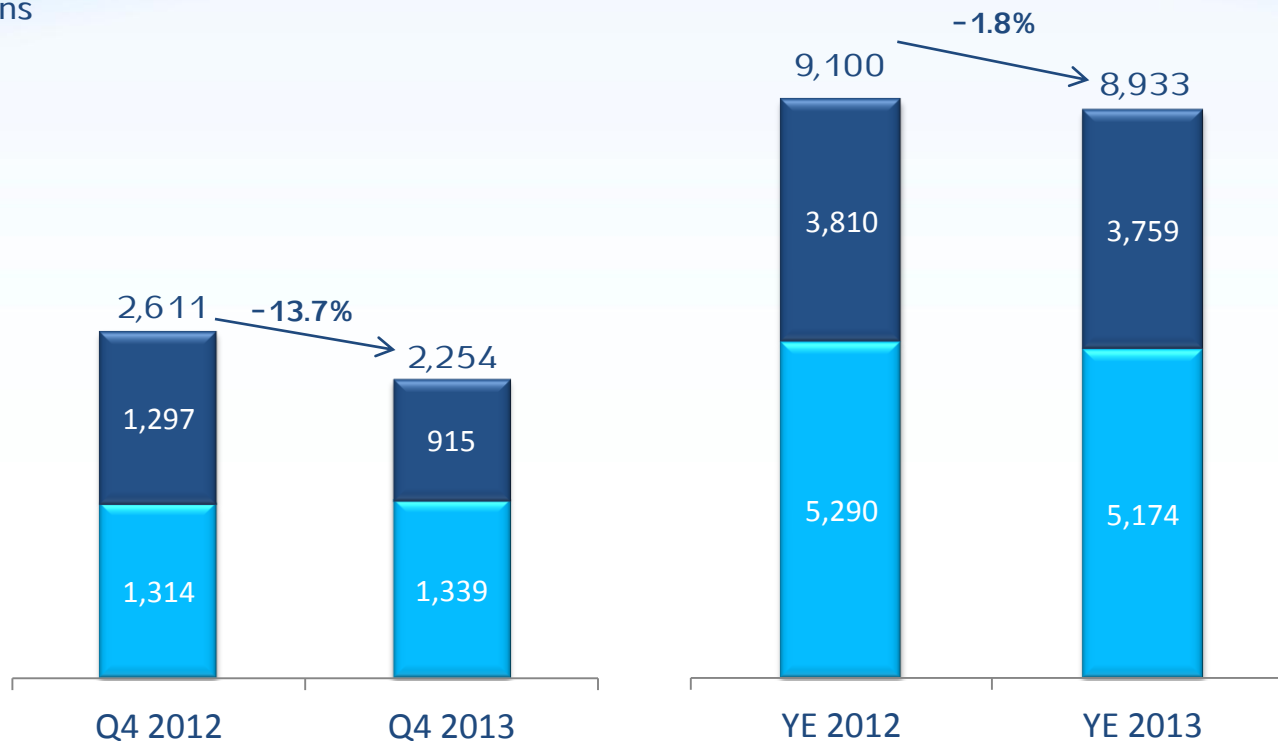
Net profits from sale of available for sale bonds

Net income in respect of derivatives and exchange rate differentials, net

Net profits in respect of loans sold

Total operating and other expenses

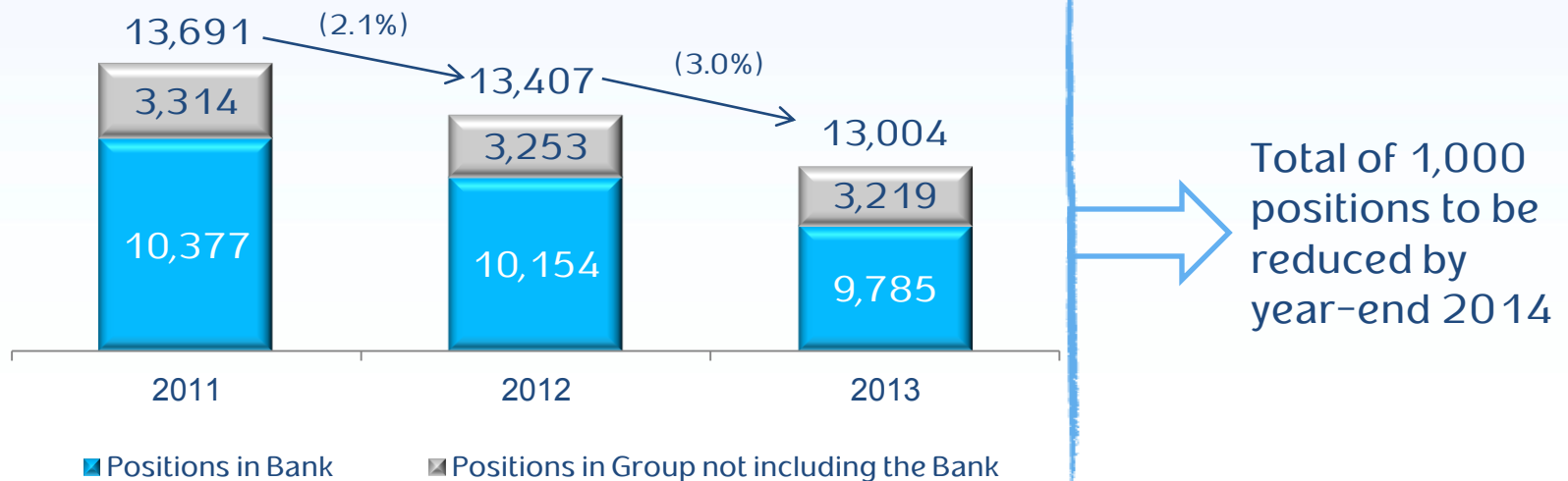
NIS millions



■ Maintenance of buildings & equipment, depreciation & other expenses

■ Salary and related expenses

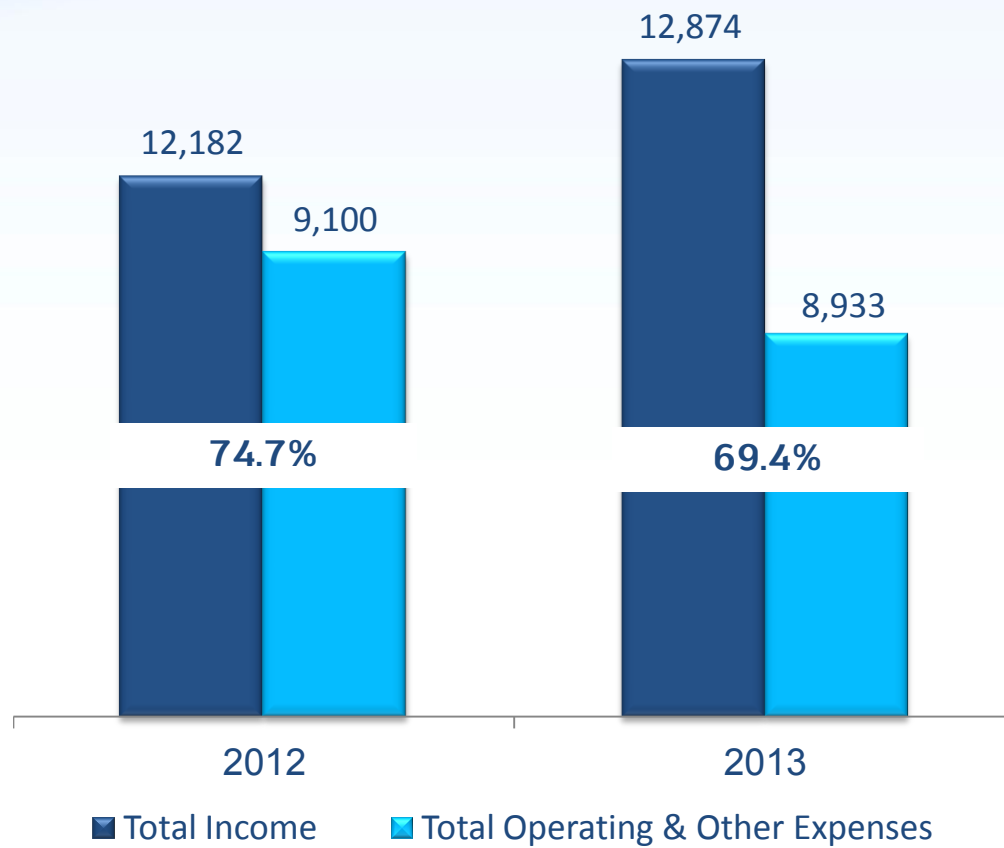
Efficiency program: reduction of Group positions



	2014	2014 to 2023
Natural retirement	119	~2200

Cost/Income Ratio

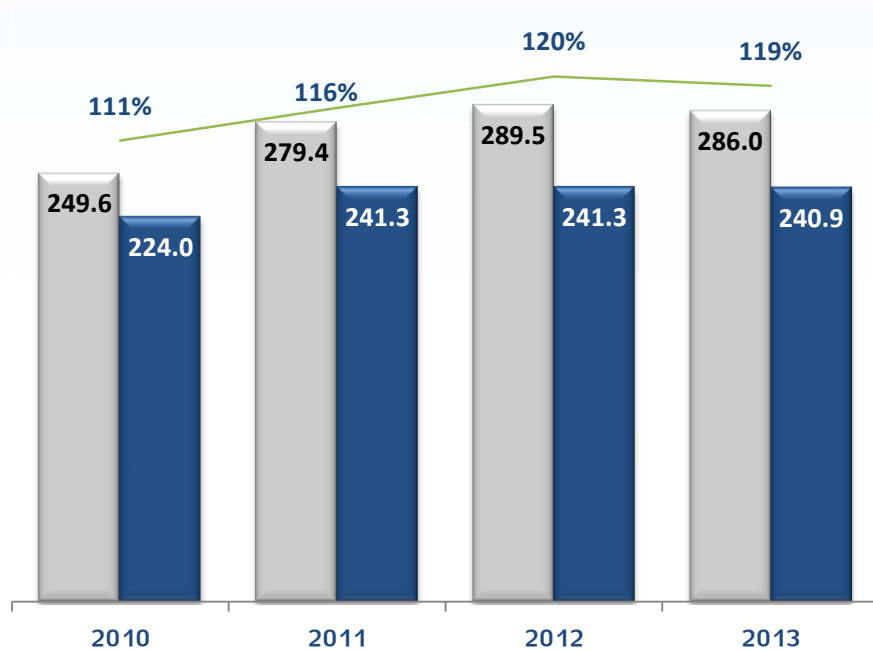
NIS millions



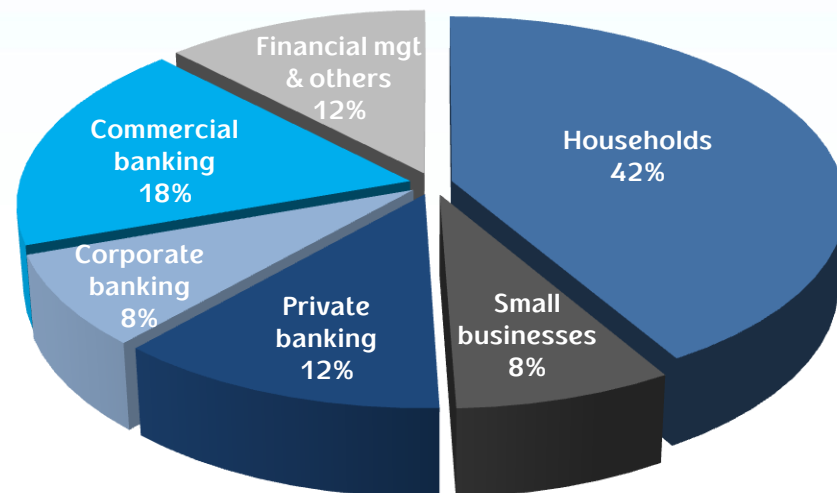
Deposits

NIS billions

Deposits to Credits



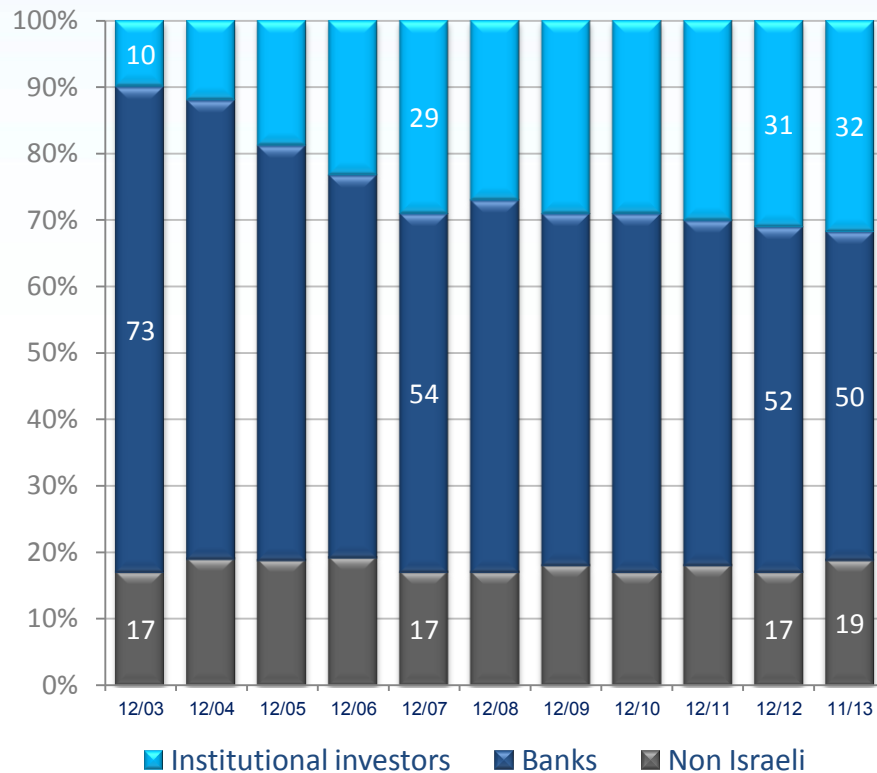
Deposits of the public by principal operating segment



 Deposits of the public
  Credit to the public
  Deposits / credits

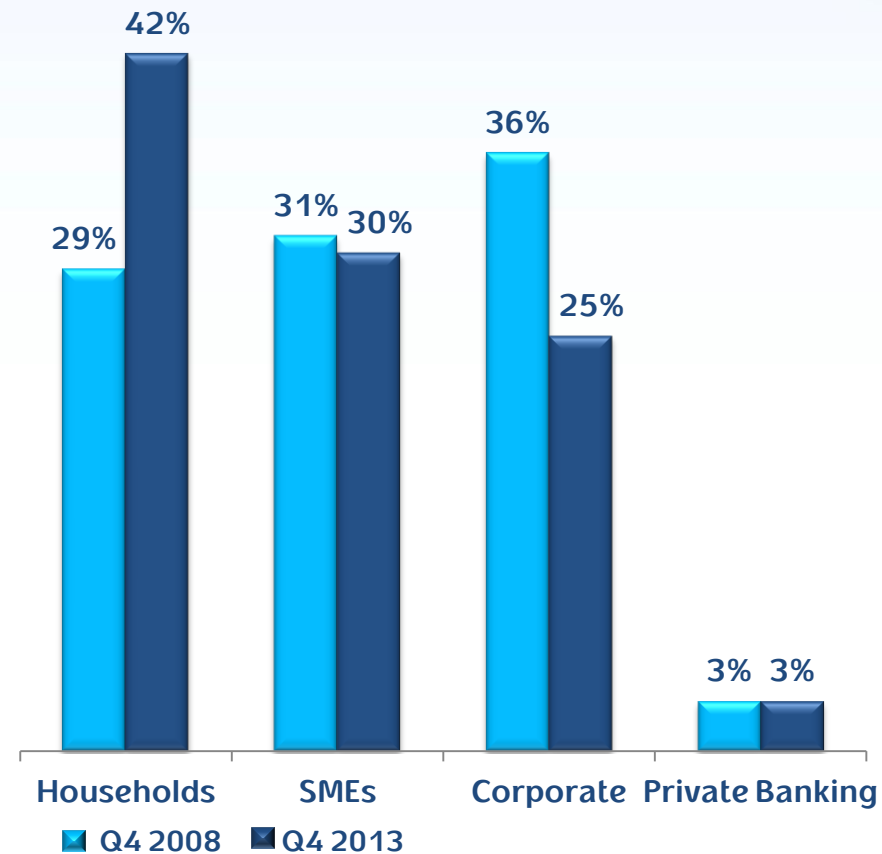
Credit trends in Israel & in Leumi

Israel: increase in share of institutional credit to business sector



Source: BOI

Leumi: decrease in corporate credit; increase in retail credit



Quality credit portfolio

Credit concentration

Credit to groups of borrowers whose indebtedness exceeds 15% of the Bank's capital

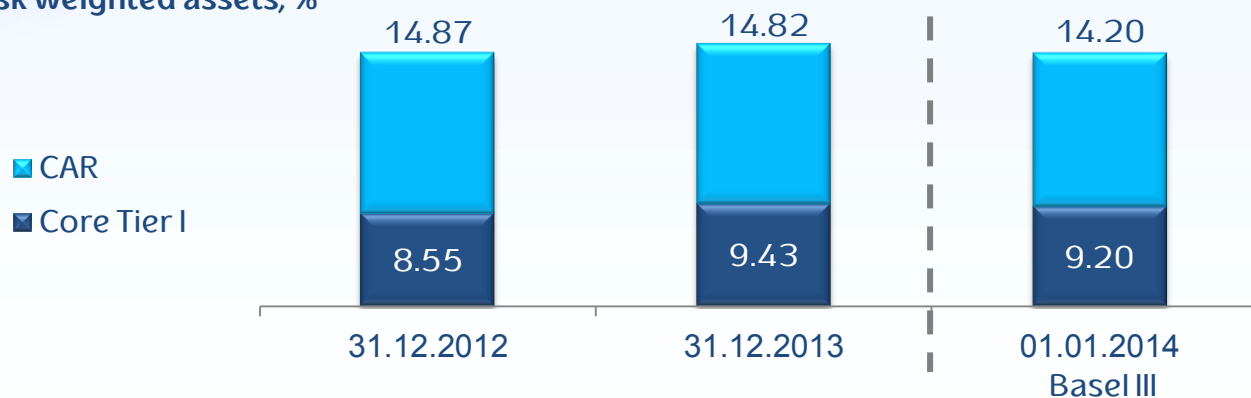
	31.12.2011	31.12.2012	31.12.2013
Groups of borrowers	2	1	-
% of capital	37.6%	18.0%	-

Total debts of large borrowers, groups of borrowers and banking groups of borrowers whose debts exceeds 10% of the Bank's capital (Bank of Israel limit of 120% of capital)

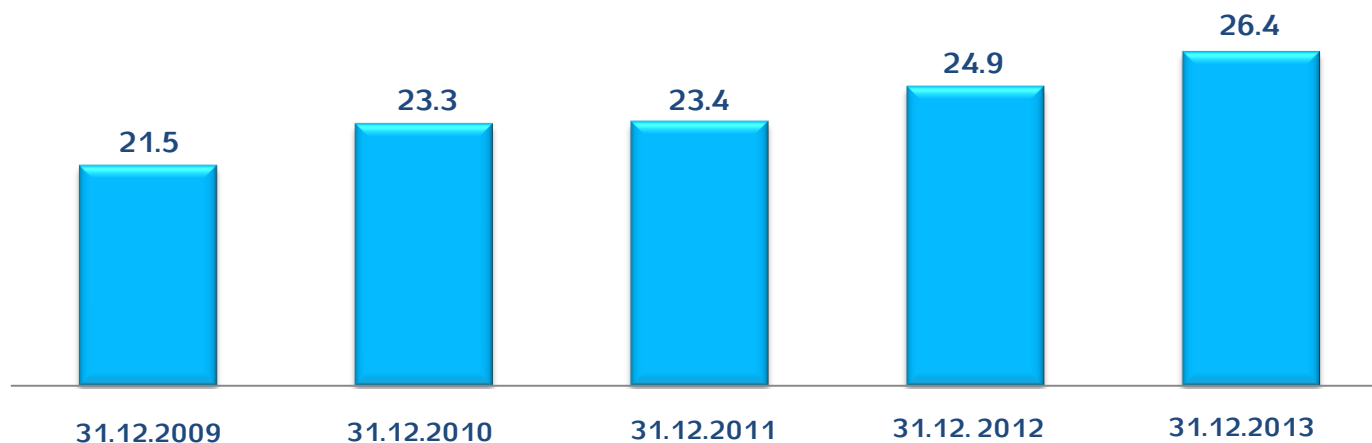
	31.12.2011	31.12.2012	31.12.2013
% of capital	48.1%	18.0 %	14.7%

Capital: positioned to meet regulatory requirements

Capital to risk weighted assets, %



Capital development, NIS billions



What we've accomplished

- ✓ Merged Leumi Mortgage Bank
- ✓ Merged the Corporate and Commercial Divisions
- ✓ Completed "Lean Banking" Project
- ✓ Adjusted Private International Banking Activities and closed a number of overseas rep offices
- ✓ Implemented enhanced efficiency program – ahead of target in workforce reduction plan
- ✓ Established LeumiTech

Thank you

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