

# Leumi Group

## 2015 Earnings Presentation



# The information contained in this 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.

1. has been prepared by Bank Leumi le-Israel B.M. (the “Bank”);
2. is provided to you solely for your information and is not to be copied or distributed to any other person;
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, expressed or implied, is made by any person as to the accuracy or completeness 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. does not constitute an offer or invitation to purchase or subscribe for any securities, nor does it constitute advice;
6. should not form the basis of or be relied upon in connection with any contract or commitment whatsoever.



# Key takeaways

---

## Capital

- Capital Plan implemented will help meet regulatory requirements
- CoCo Issuance

---

## Performance

- Strong revenue growth mitigated impact of low net interest rates and CPI
- Strong asset quality; low LLP; low NPL ratio
- Strong liquidity

---

## Strategy

- Launching digital bank this year
- Continued execution of efficiency program, merger of AI Bank
- Expanding activity in business sector, with emphasis on SMEs



# The Israeli Economy

- Private consumption led growth in 2015; investments in fixed assets and exports have recently started to recover
- Fiscal performance on track with long-term debt reduction
- Highly resilient external account position
- Inflation remains very low
- Unemployment low; labor force participation rising

	2014	2015	2016
GDP, rate of change, real terms	2.6%	2.6%	2.6%
Current account surplus, % of GDP	3.7%	4.5%	4.5%
Government budget deficit, % of GDP	(2.7%)	(2.1%)	(3.0%)
Government debt, % of GDP	65%	65%	66%
Unemployment, Annual Average	5.9%	5.3%	5.2%
CPI, year-end change	(0.2%)	(1.0%)	0.0–1.0%
NIS–USD, average exchange rate	3.58	3.89	3.85–4.05
NIS–EUR, average exchange rate	4.76	4.31	4.20–4.40
Bank of Israel average interest rate	0.6%	0.1%	0.1–0.6%

Source: Central Bureau of Statistics, Leumi forecast

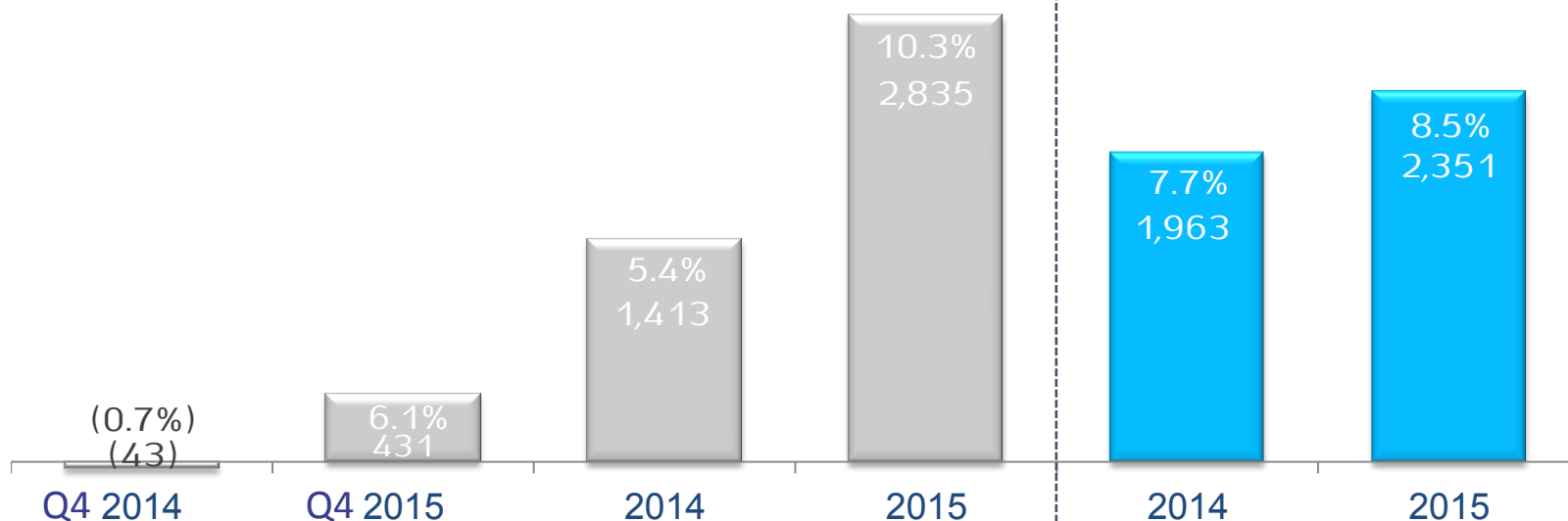


# Net profit and RoE

NIS millions

Reported Net Profit and ROE

Proforma Net Profit and ROE\*



\*Expenses for arrangements with foreign authorities

(1,026)

(48)

\*Profit from the sale of shares in Israel Corp.

-

638

\*Gains on sale of investments by Israel Corp.

342

-

\*Provision for bonus

134

(106)

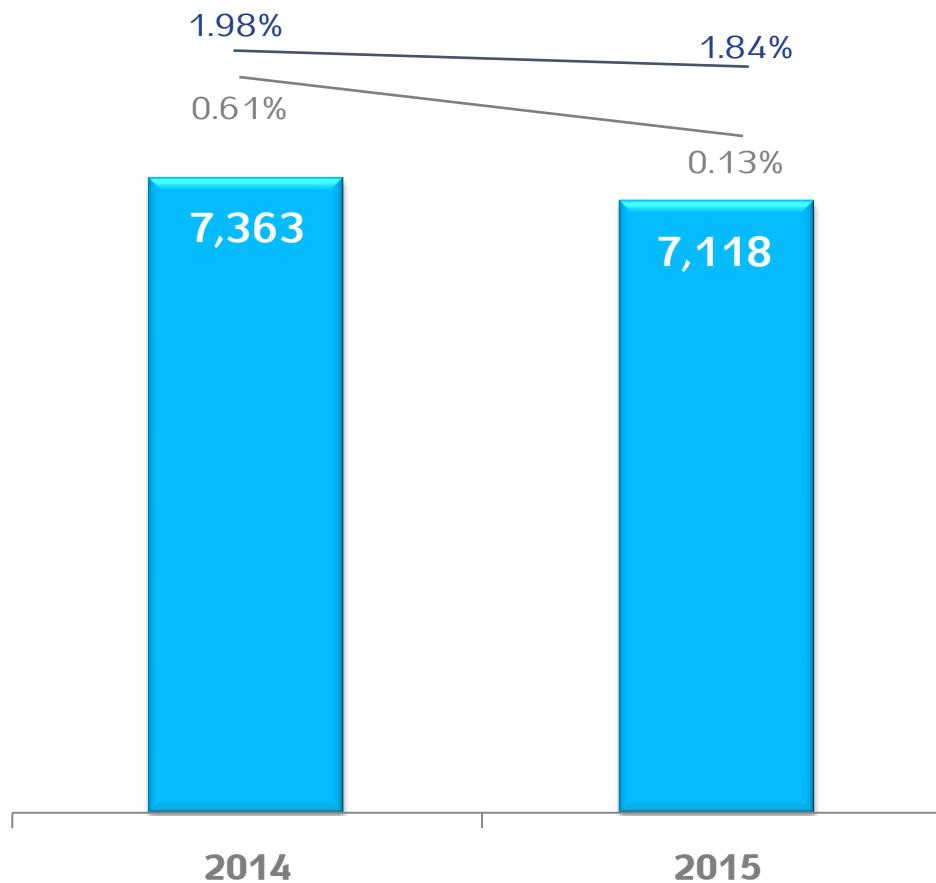


# Net interest income

NIS millions

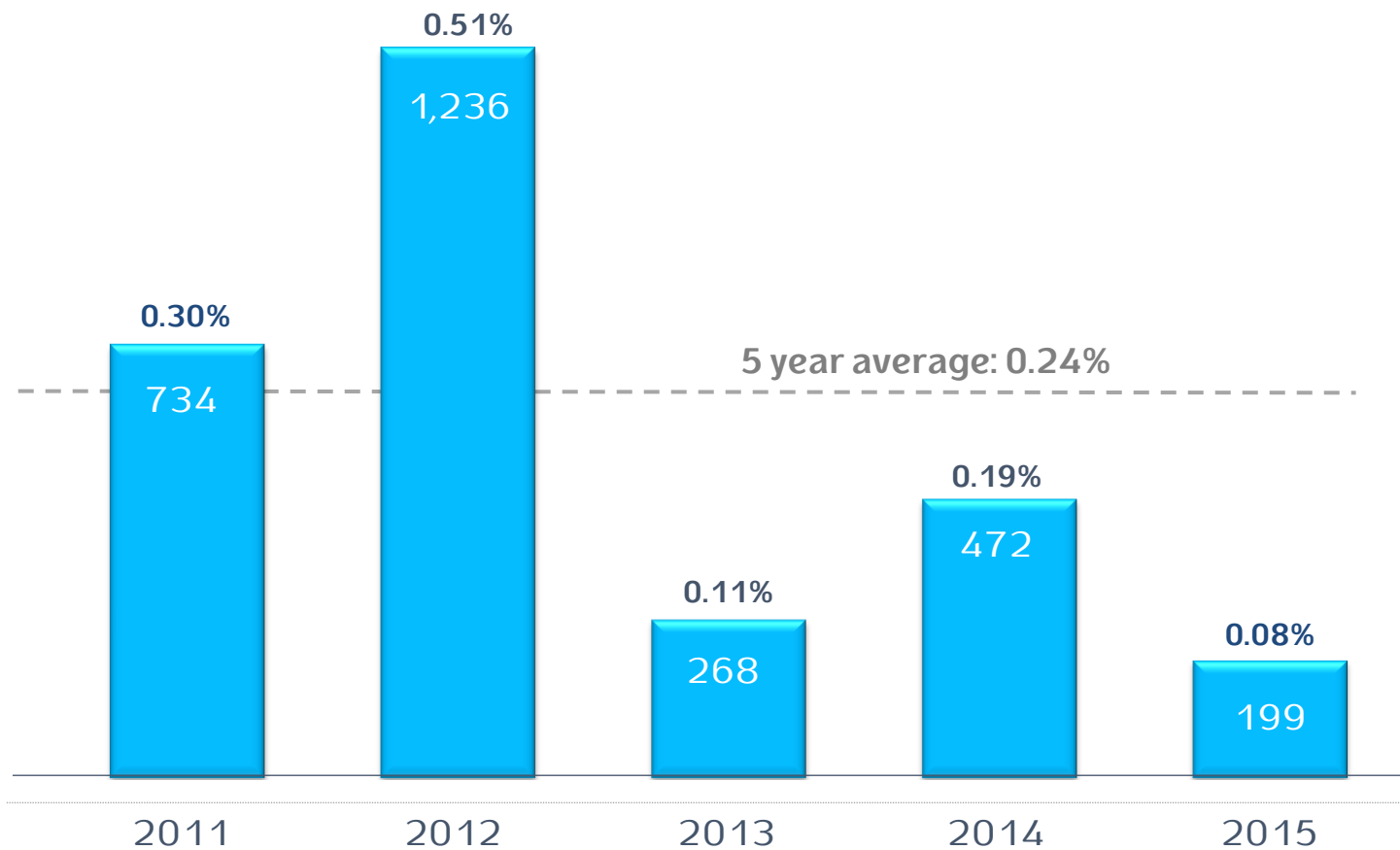
Interest margin

Bol average interest rate



# Low provision rate reflects high quality credit portfolio

NIS millions



# Low NPL ratio; declining problem debts

NIS millions

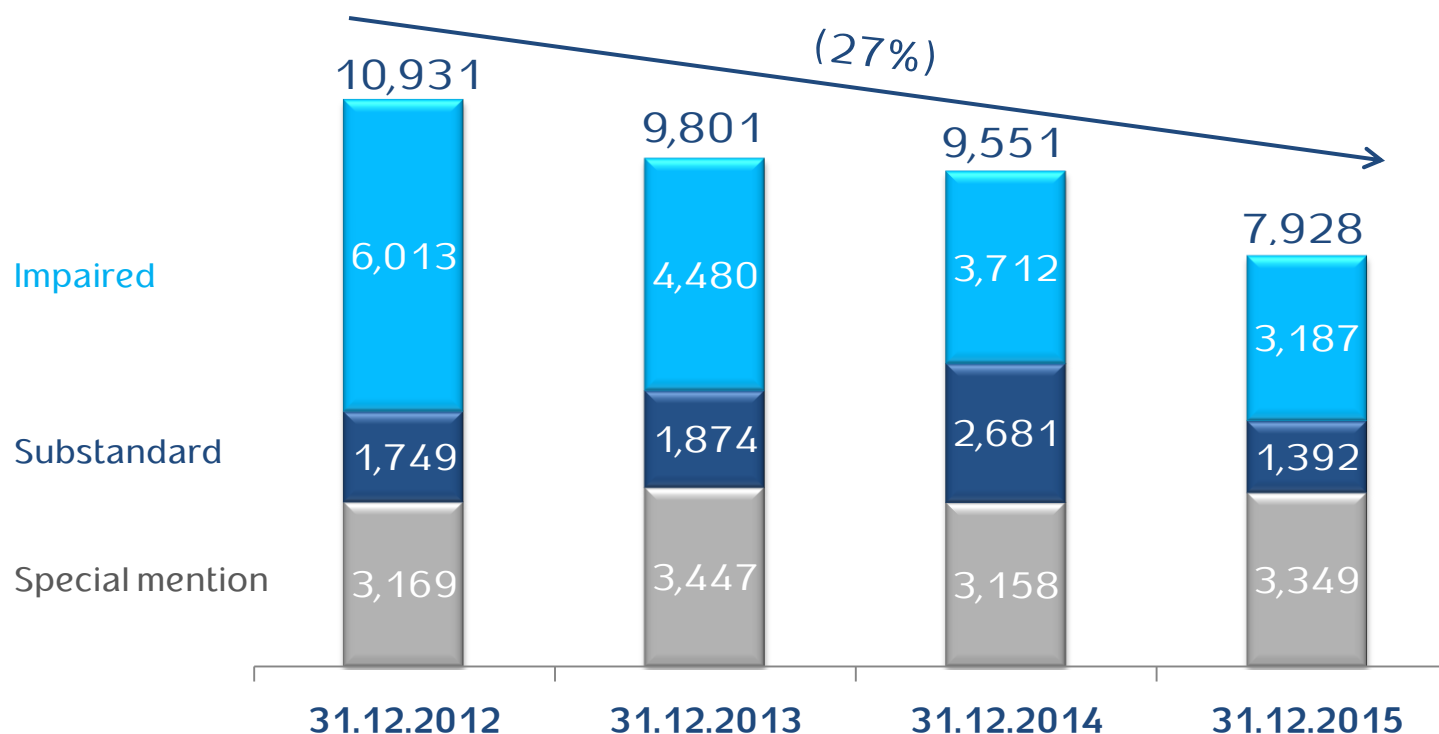
NPL Ratio:

2.9%

2.1%

1.7%

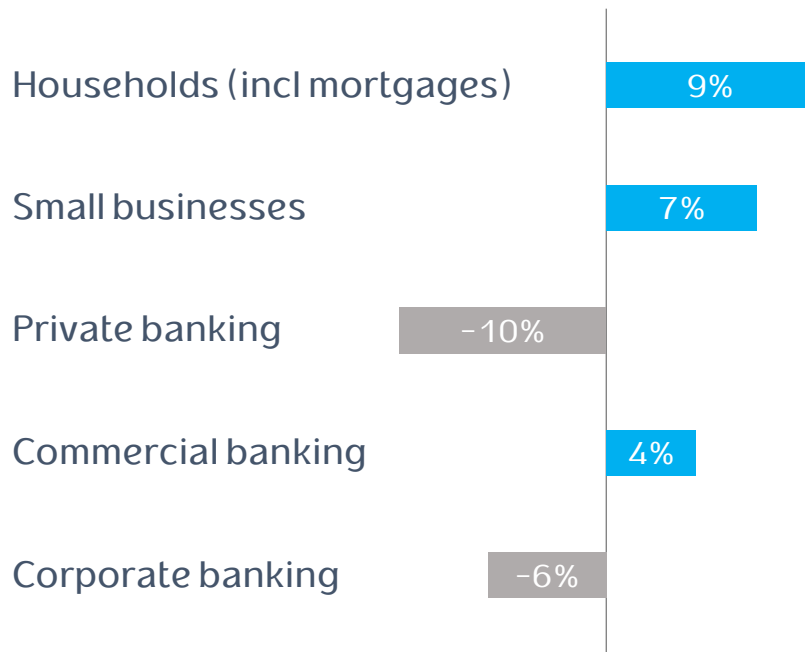
1.3%



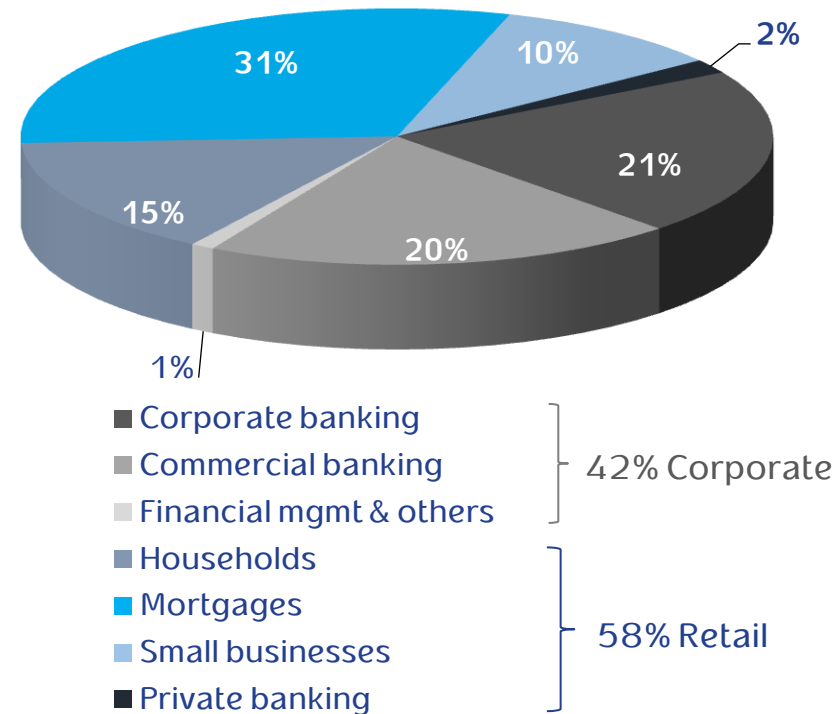


# Diversified credit portfolio with focus on higher RoE segments

Credit portfolio growth by segment  
2010-2015, CAGR

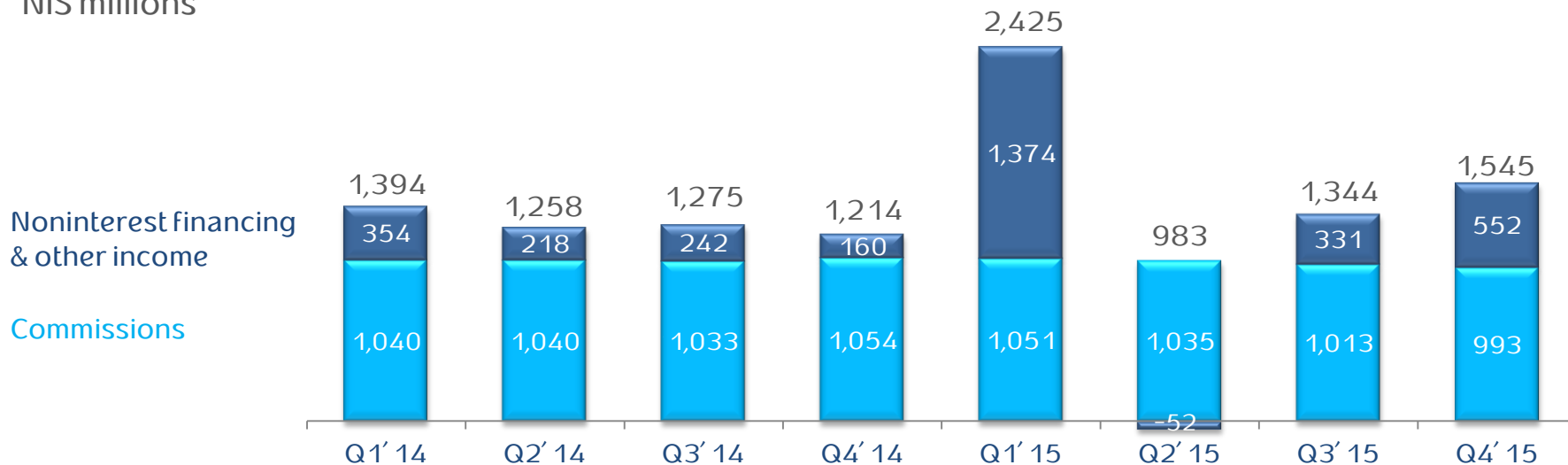


Credit portfolio by segment 2015



# Noninterest income mainly affected by capital market activities; commissions stable

NIS millions



	2015	2014	Δ	Δ%
Commissions	4,092	4,167	(75)	(1.8)
Noninterest financing income	1,610	795	815	+
Other Income	595	179	416	+
<b>Total</b>	<b>6,297</b>	<b>5,141</b>	<b>1,156</b>	<b>22.5</b>



# Commissions stable and diverse

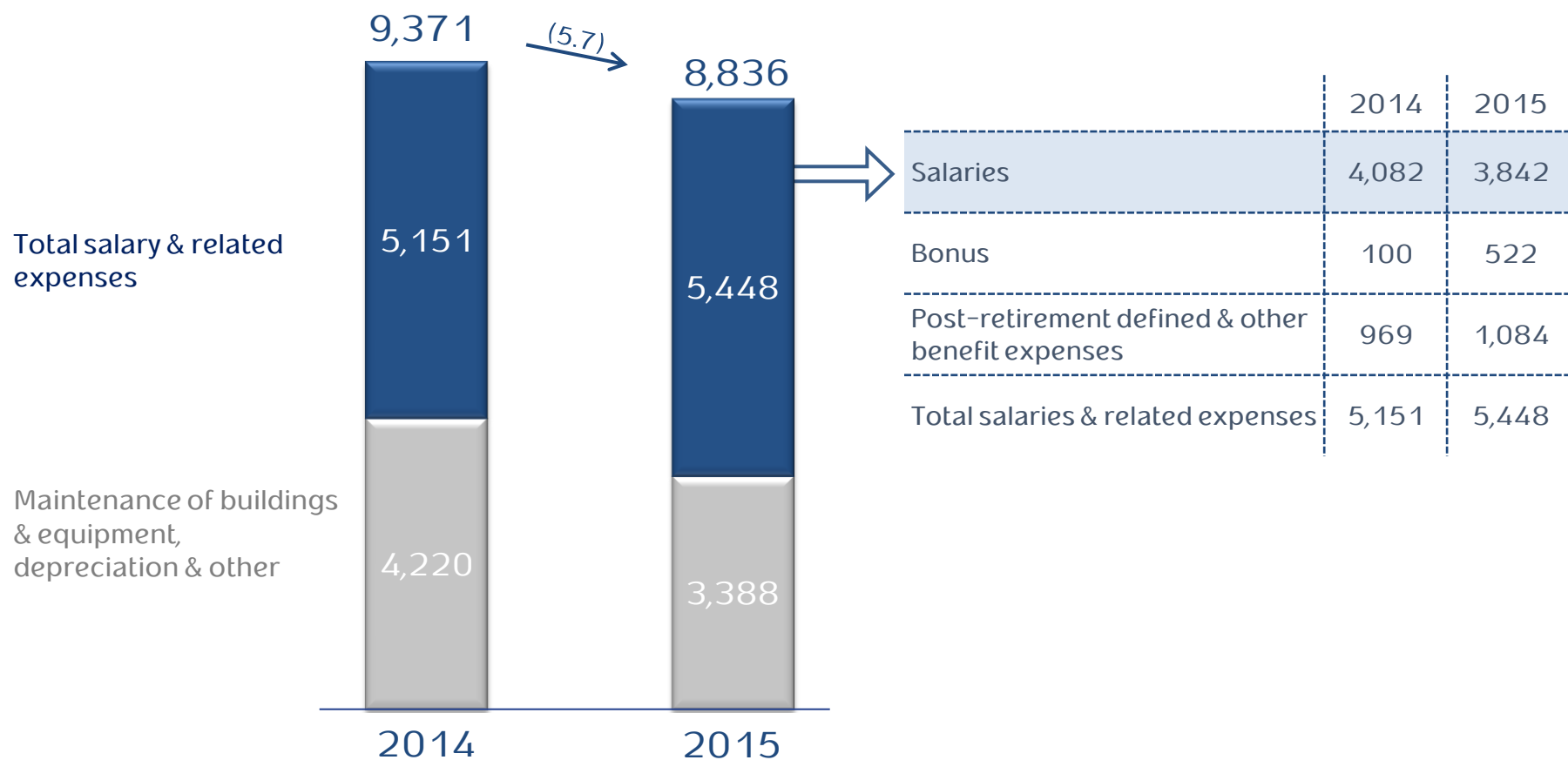
NIS millions

	2015	2014	Δ%	
Securities transactions, Includes financial product distribution commissions	981	1,102	(11.0)	Reduction resulting mainly from the sale of Leumi Switzerland in March 2015
Account management	762	821	(7.2)	
Credit cards	963	939	2.6	
Credit handling	200	196	2.0	
Conversion differences	325	318	2.2	
Financing transactions	542	487	11.3	
Other fees	319	304	4.9	
<b>Total</b>	<b>4,092</b>	<b>4,167</b>	<b>(1.8)</b>	



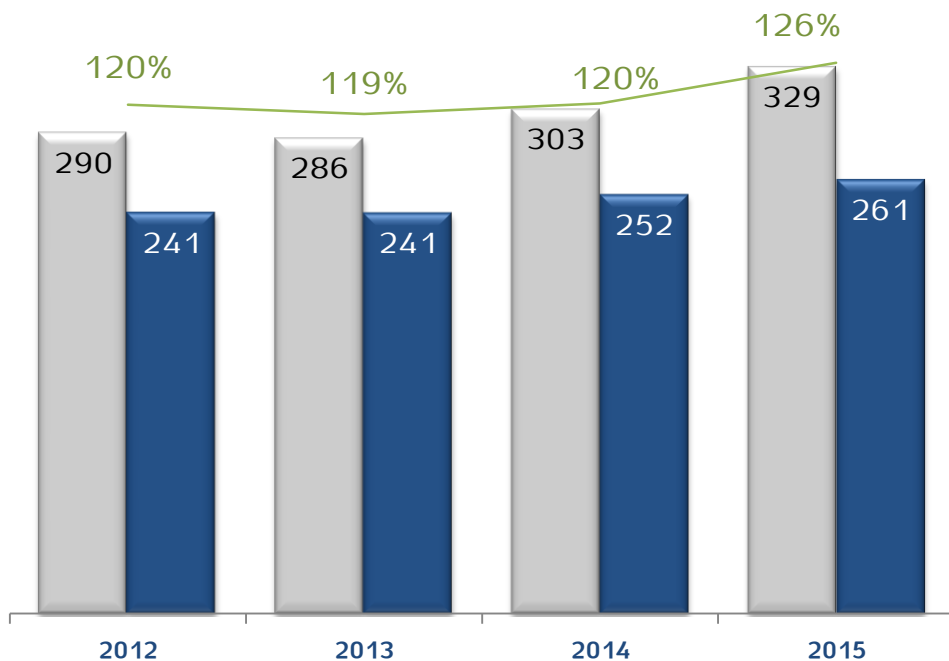
# Total operating and other expenses

NIS millions



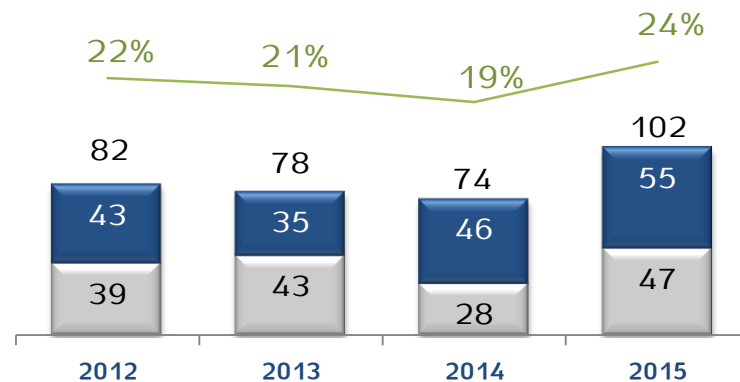
# Strong liquidity

Deposits and Credits  
NIS billions



Deposits of the public   Credit to the public   Deposits / Credits

Liquidity Buffer Main Components  
NIS billions



Israel & Foreign Government Bonds  
Cash & Deposits with Central Banks  
Total / Balance Sheet

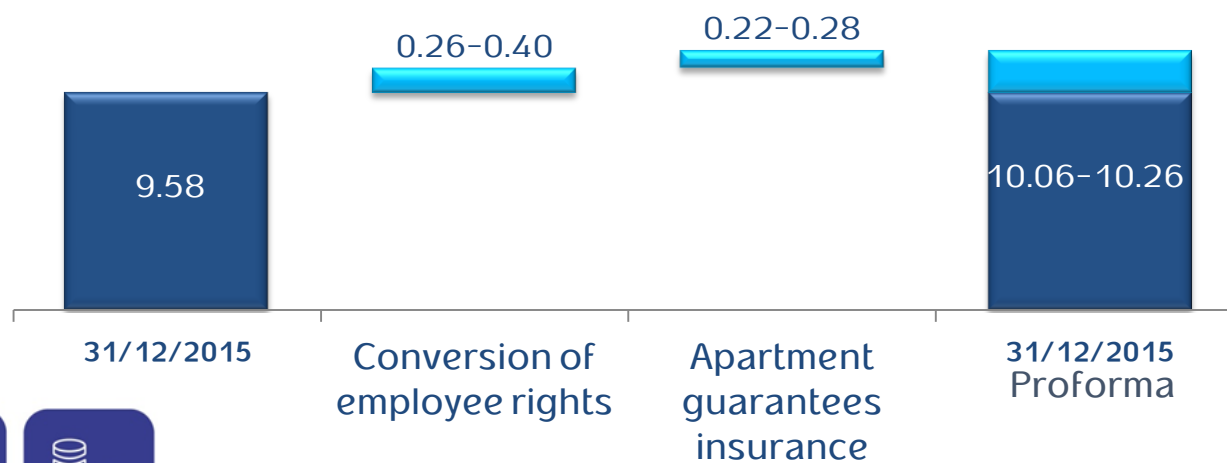


# Capital

Capital to risk weighted assets, %, Basel III



2015 Capital Ratio Proforma



# Successfully executing strategy

Israel focused: Exited off-shore private banking activities in Switzerland, Luxembourg & Jersey; closed most rep offices around the world

---

Capital: On target in meeting required capital levels

---

Risks: Reduced credit, market and compliance risks

---

Efficiency: 10% workforce reduction; merger of divisions, branches & regional offices

---

Strong focus on business development with leading market share in the Israeli middle market sector

---

Leading the digital revolution and transforming the bank for the future

---



# What's next: Digital Bank launch in 2016

Bringing banking to our customers

No branches

24/7

Greater IT capabilities – costs significantly less

Less operational risks and reduced exposure to fraud

Inexpensive platform – simple, friendly and intuitive

Simpler retail model – more efficient





# Thank you

For more information contact:

Herb Small | Head of Investor Relations

Tel: +972 76 8858630 | Mobile: +972 50 6519144

[hsmall@bll.co.il](mailto:hsmall@bll.co.il)

