

Leumi Group

Q1 2013 Earnings Review

This document/presentation has been prepared by Bank Leumi le-Israel B.M. (the “Bank”) and is provided to you solely for your information and is not to be copied or distributed to any other person. This document/presentation is based on information and data appearing in the Bank’s most recent published financial report. This document/presentation 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.

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 on the Bank’s current expectations and is subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in this document/presentation due to a variety of factors. For more information on the meaning of forward looking information, we would refer you to the Bank’s Consolidated Financial Statements, March 31, 2013.

This document/presentation does not constitute an offer or invitation to purchase or subscribe for any securities, nor does it constitute advice, and neither this document/presentation nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

Israeli Economy

Q1 2013 Financial Results

Key Takeaways

Appendix

Israeli economy

- 2013 GDP growth includes technical impact of 1% from inclusion of natural gas production
- Ongoing decline in fixed asset investment, especially within business sector
- Government steps to reduce deficit may help to prevent rise in debt/GDP ratio
- Inflation expected to remain low

Main Macroeconomic Variables	2011	2012*	2013 – Leumi forecast**
Annual Rates of Change, Real Terms			
GDP	4.6%	3.1%	3.5%
Gross product of the business sector	5.1%	3.1%	3.7%
Percentage of GDP			
Current account surplus(+)/deficit (-)	1.4%	-0.1%	0.6%
Government budget surplus (+)/deficit (-)	-3.3%	-4.2%	-4.6%
Government debt	73.0%	72.0%	73.0%
Annual Average			
Unemployment rate (using new data definitions)	6.9%	7.0%	7.0%
Additional Data			
Consumer price index, year-end change	2.2%	1.6%	2.1%
Shekel / US\$ average exchange rate	3.58	3.86	3.64
Bank of Israel average interest rate	2.87%	2.35%	1.41%

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

Israeli Economy

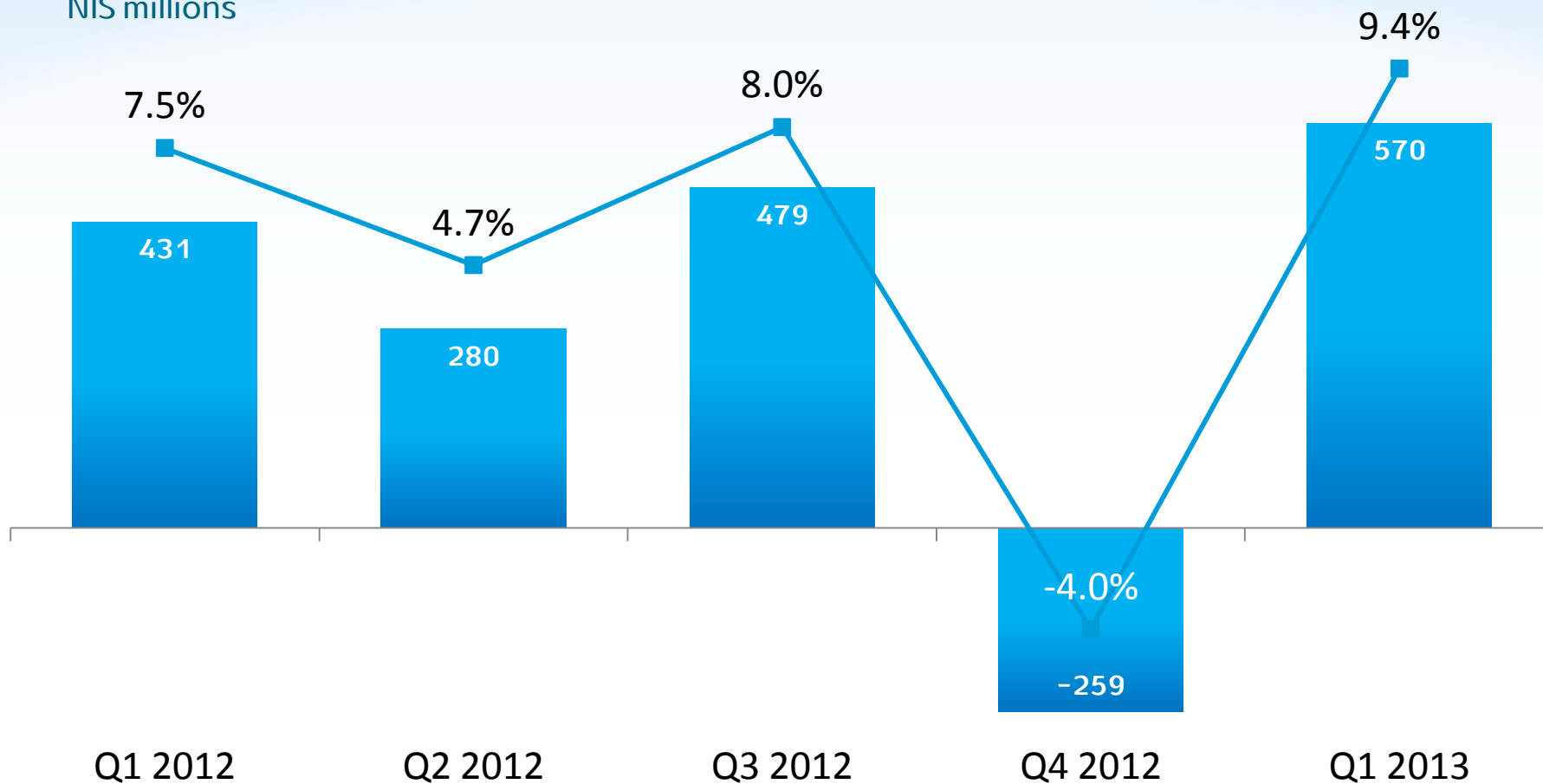
Q1 2013 Financial Results

Key Takeaways

Appendix

Net Profit and RoE

NIS millions



Financial Performance

NIS millions

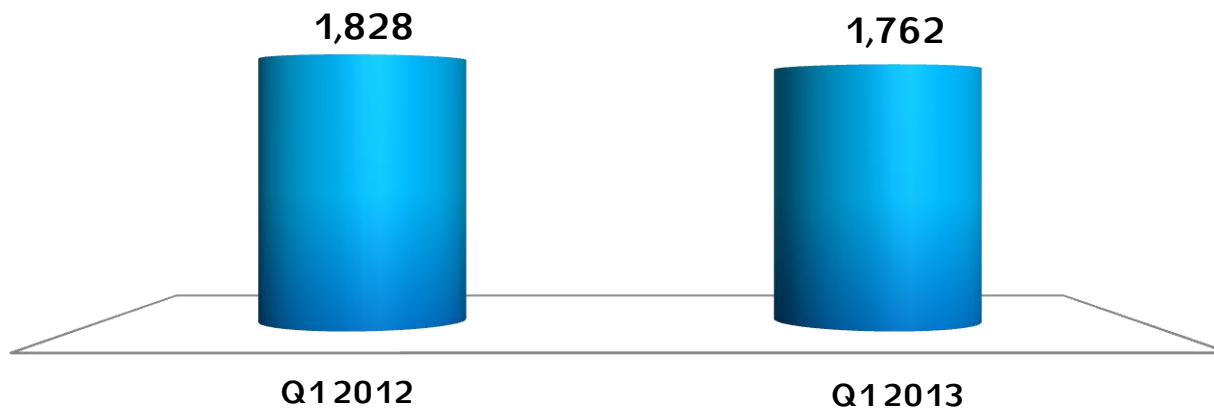
	31.3.2013	31.3.2012	Δ	Δ%
Net Interest income	1,762	1,828	(66)	(3.6)
Noninterest income	1,469	1,177	292	24.8
Total Income	3,231	3,005	226	7.5
Provisions for credit losses	(73)	(225)	152	67.6
Operating and other expenses	(2,057)	(1,995)	(62)	(3.1)
Pre-tax profit	1,101	785	316	40.3
Provision for tax	(463)	(306)	(157)	(51.3)
Profit after tax	638	479	159	33.2
Share of bank's profits in associated companies	(57)	(39)	(18)	(46.2)
Net profit attributable to non-controlling interests	(11)	(9)	(2)	(22.2)
Net Profit	570	431	139	32.3

Net interest income and interest margin

Interest margin, accumulated for the period end



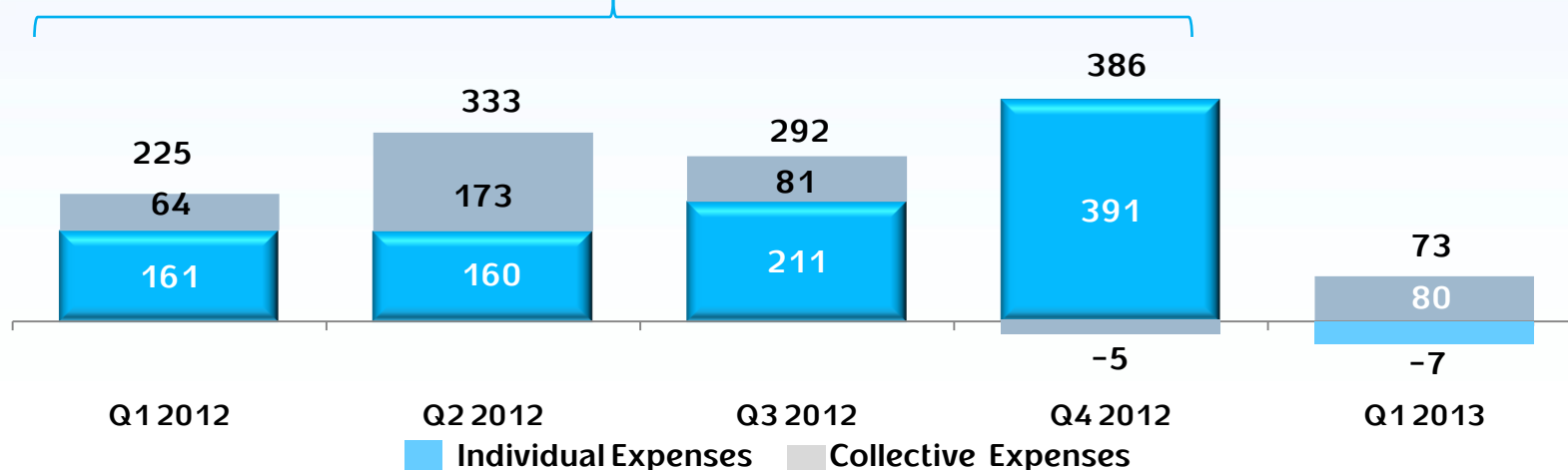
Net interest income, in NIS millions



Expenses for credit losses

NIS millions

1,236m, 0.51%

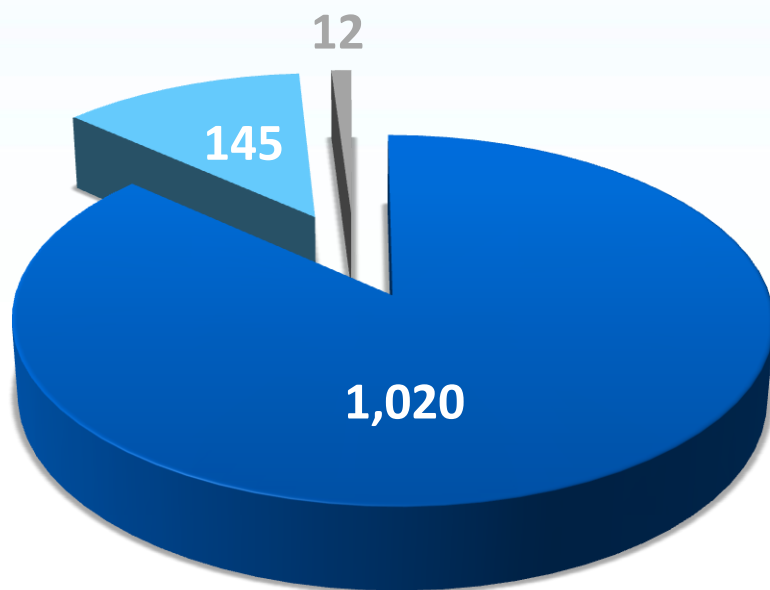


In %	2012					2013
	Q1	Q2	Q3	Q4	FY	Q1
Individual expenses/total credit to the public	0.26	0.27	0.35	0.65	0.38	(0.01)
Collective expenses/total credit to the public	0.11	0.29	0.13	(0.01)	0.13	0.13
Total expenses/total credit to the public	0.37	0.56	0.48	0.64	0.51	0.12

Non-interest income

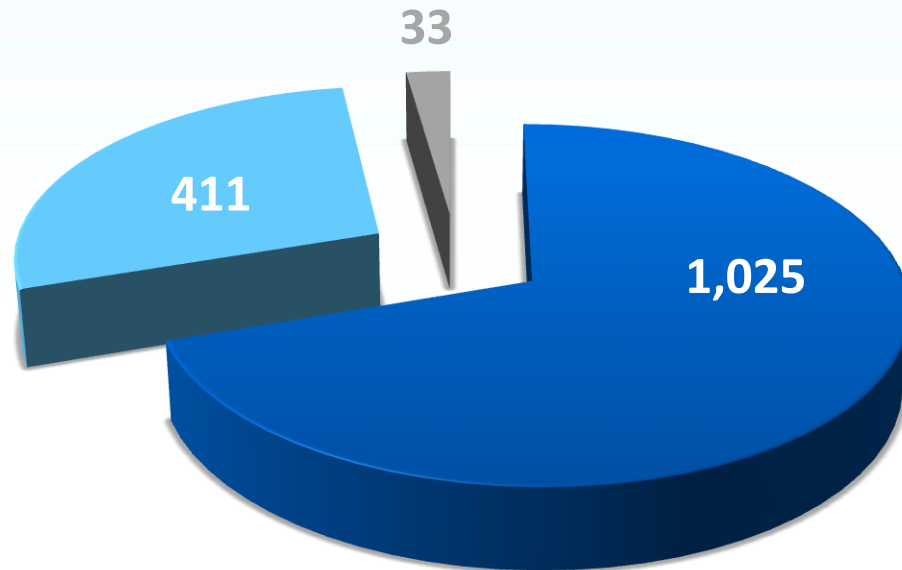
NIS millions

Total: 1,177



31.3.2012

Total: 1,469



31.3.2013

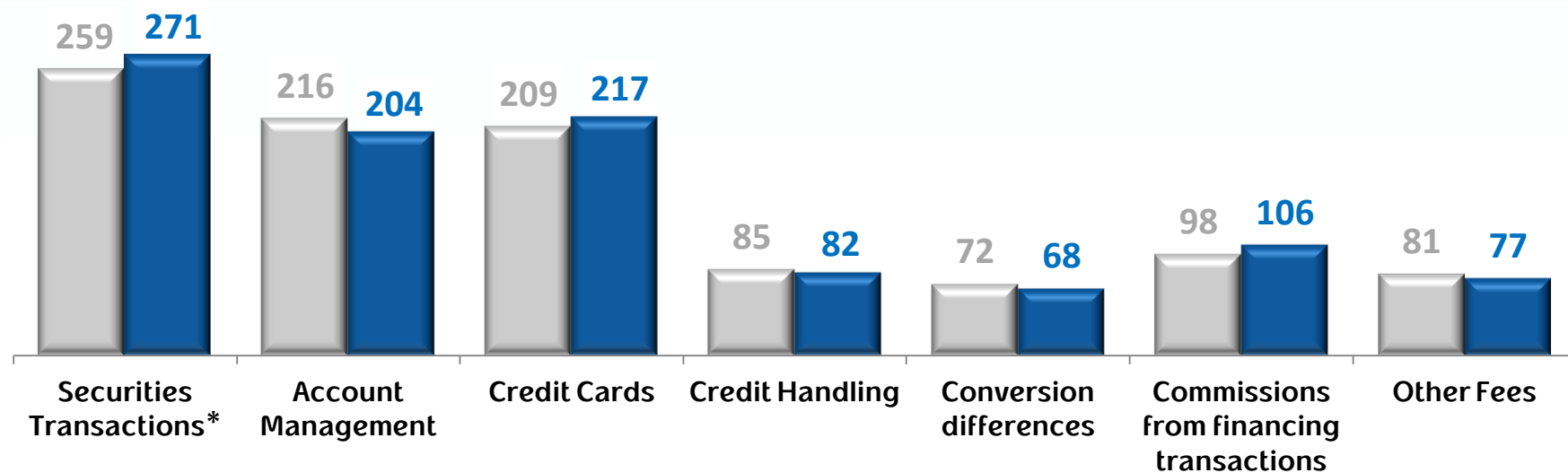
■ Operating Commissions ■ Non-interest financing income ■ Other income

Commission revenue stable and diversified

NIS millions

Total 31.03.2012: 1,020

Total 31.03.2013: 1,025

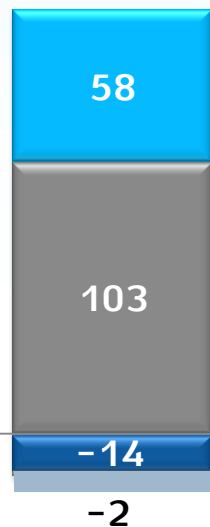


*Includes financial product distribution commissions

Non-interest financing income

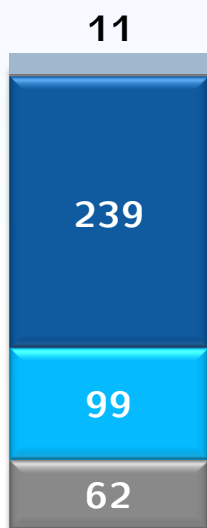
NIS millions

Total: 145



31.03.2012

Total: 411

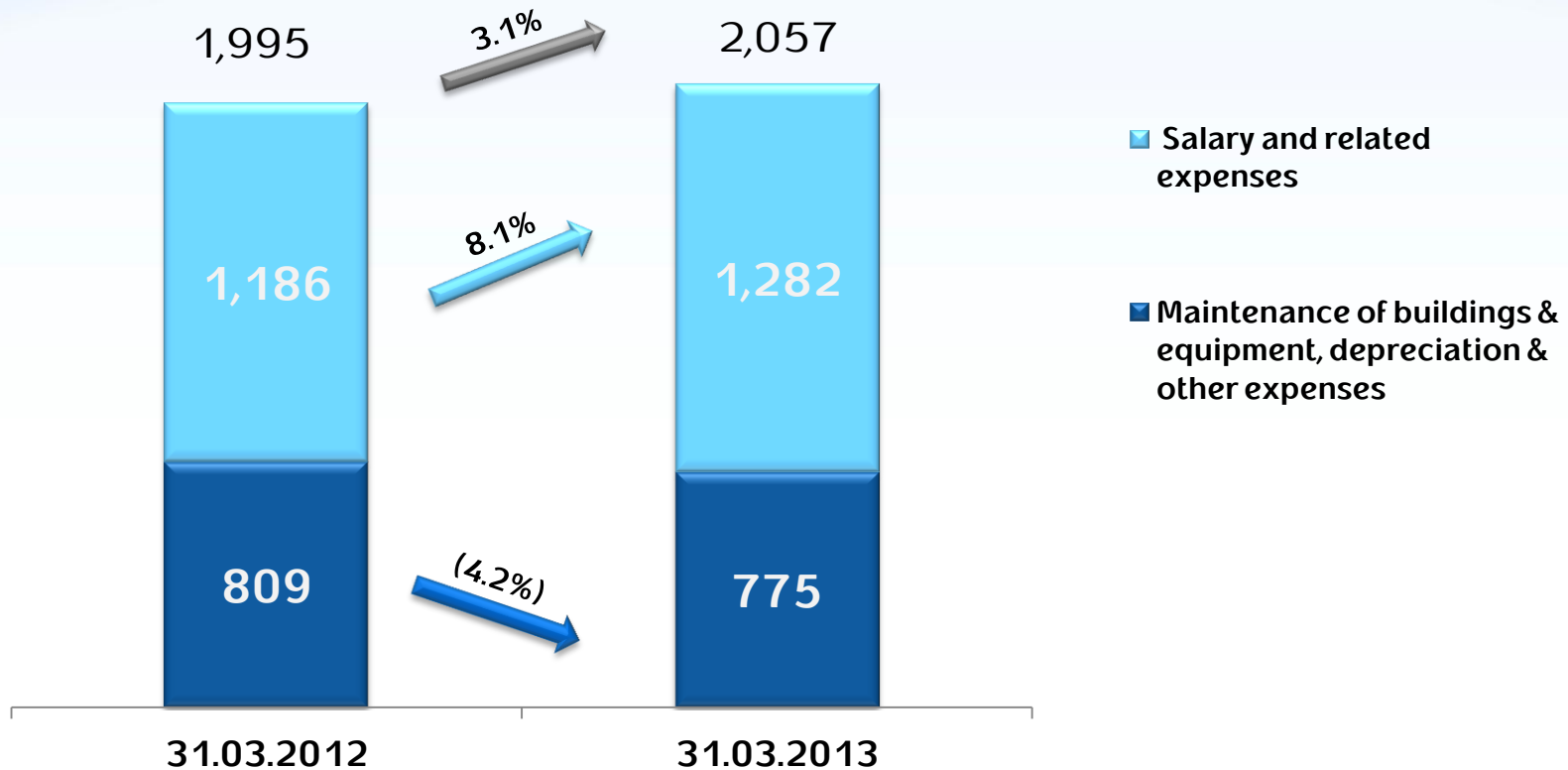


31.03.2013

- Net profits from loans sold and 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

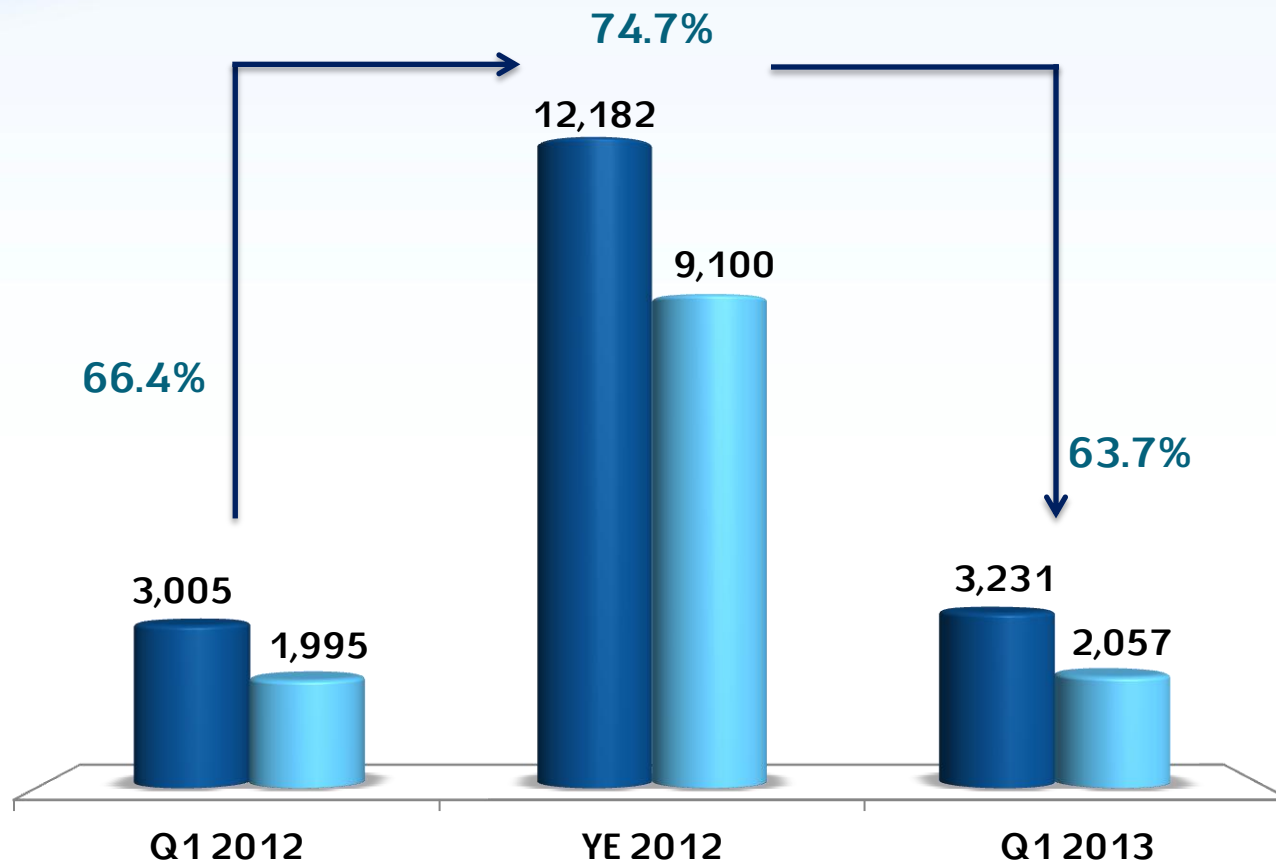
Operating and other expenses

NIS millions



Cost/Income Ratio

NIS millions



■ Total Income

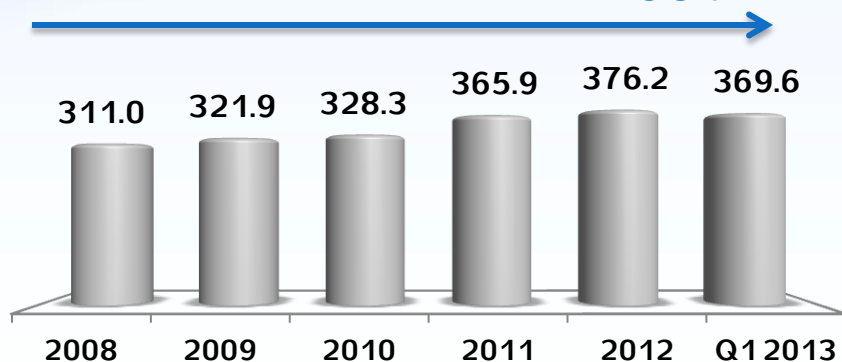
■ Total Expenses

Sustained balance and off-balance sheet growth

NIS billions

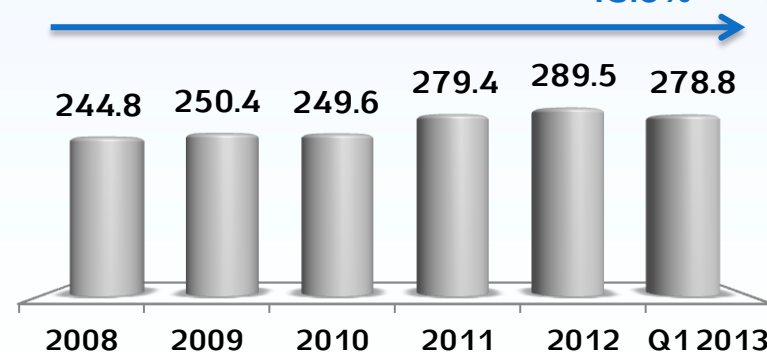
Total assets

18.8%



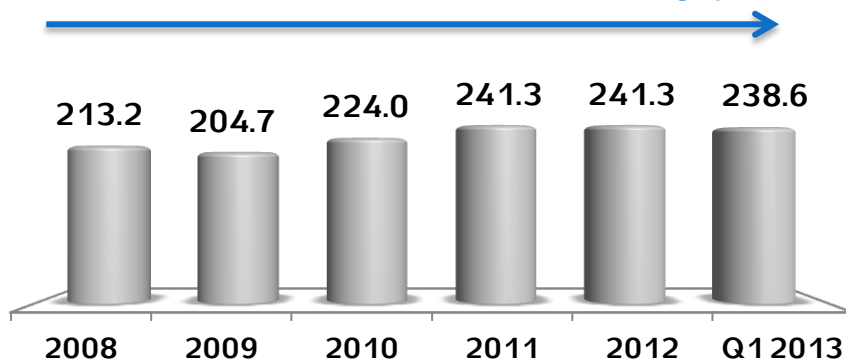
Deposits

13.9%



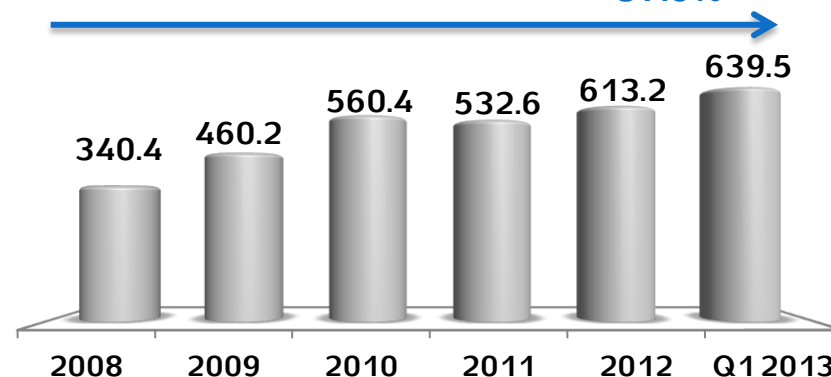
Credit

11.9%



Off-balance sheet

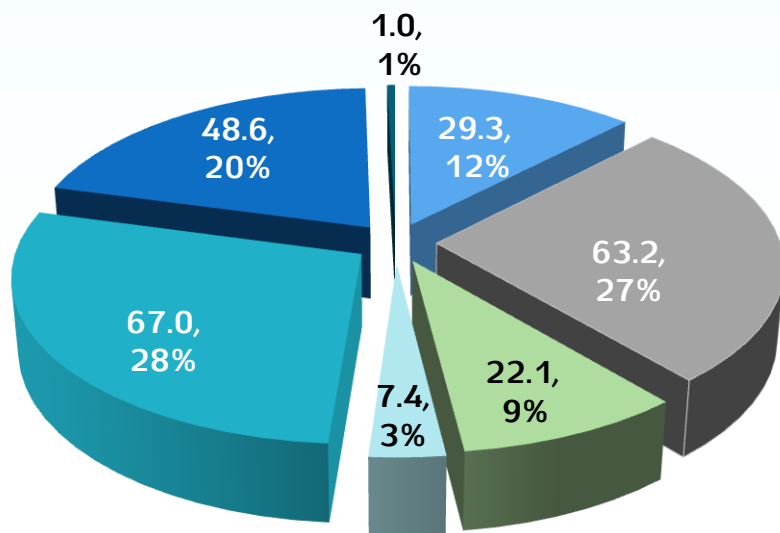
87.9%



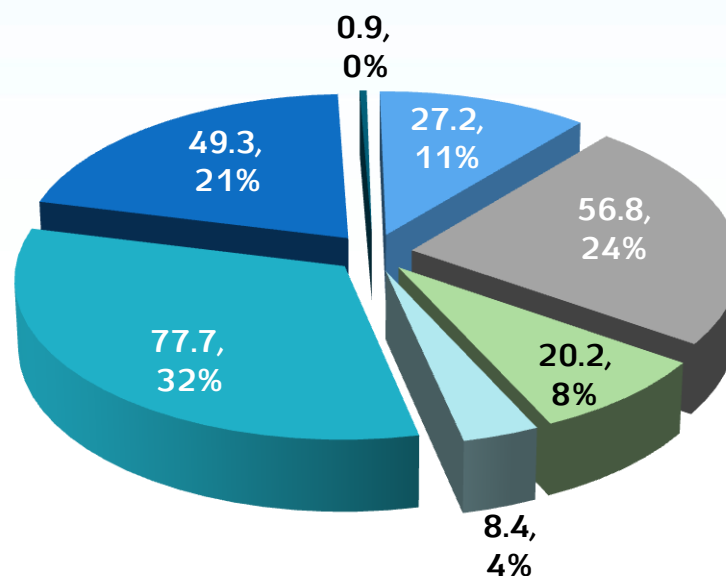
Diverse credit portfolio

Composition of loan portfolio, in NIS billions, %

31.03.2013: Retail 51%, Corporate 49%



31.03.2012: Retail 47%, Corporate 53%



- Households
- Small businesses
- Corporate banking
- Financial Mgmt, Cap Markets, Others
- Mortgages
- Private banking
- Commercial banking

Quality credit portfolio

Credit concentration

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

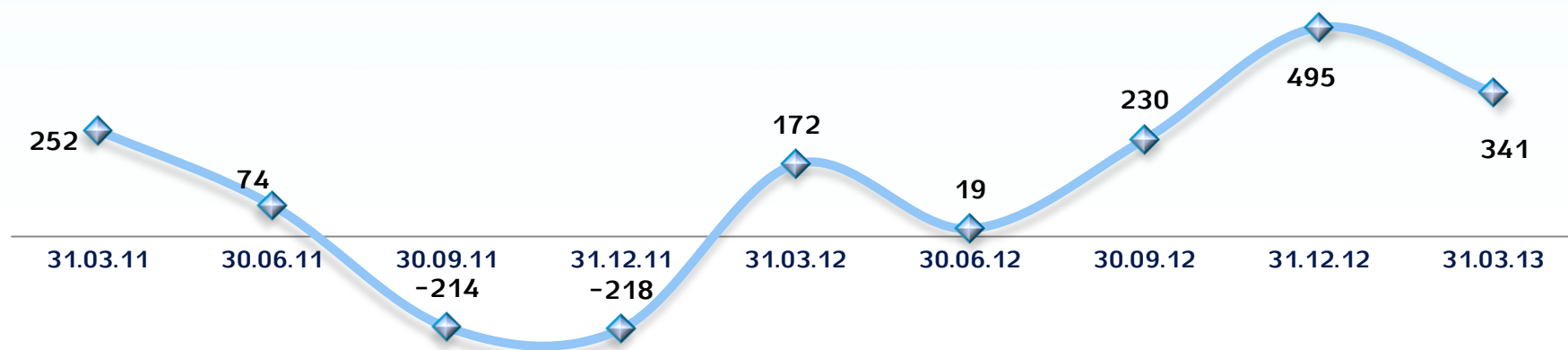
	31.12.2011	31.03.2012	30.06.2012	30.09.2012	31.12.2012	31.03.2013
Groups of borrowers	2	2	1	1	1	1
% of capital	37.6%	35.8%	17.5%	17.3%	18.0%	17.4%

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	31.03.2012	30.06.2012	30.09.2012	31.12.2012	31.03.2013
% of capital	48.1%	36.0%	29.9%	27.7%	18.0 %	17.4%

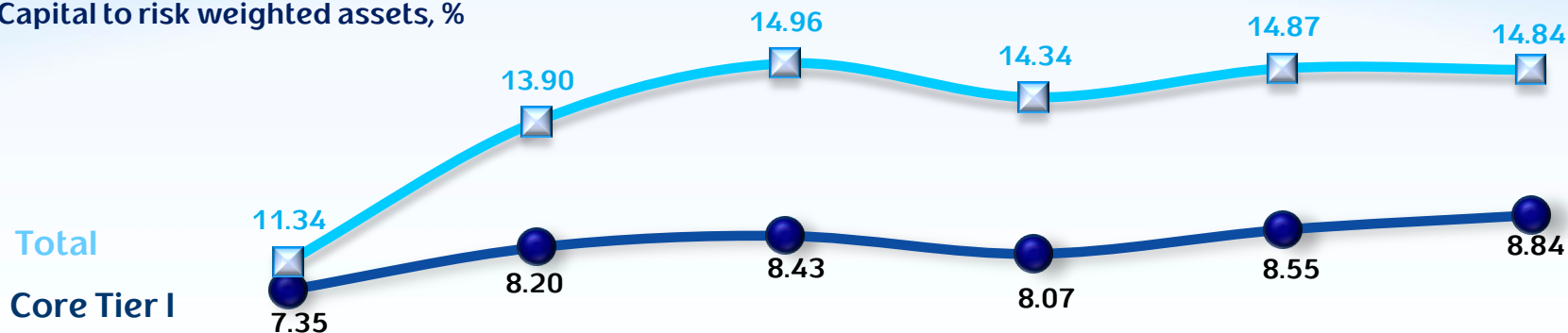
Net balances in capital in respect of available-for-sale securities (included in OCI)

NIS millions

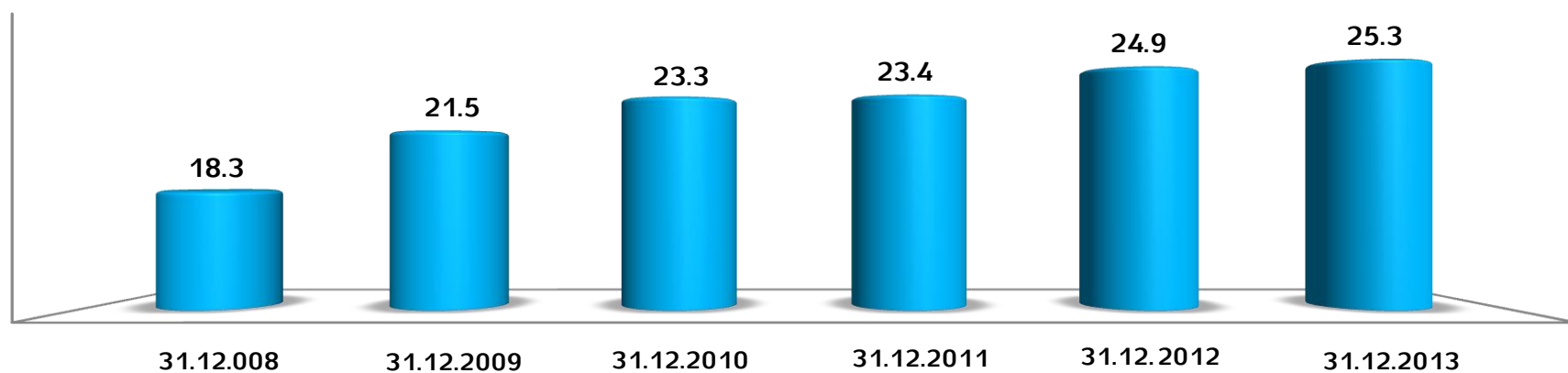


Capital: positioned to meet regulatory requirements

Capital to risk weighted assets, %



Capital development, NIS billions



Israeli Economy

Q1 2013 Financial Results

Key Takeaways

Appendix

Key takeaways

- ✓ Assets under Management exceed 1 trillion shekels
- ✓ Upgraded and expanded efficiency program includes reducing positions, improving procurement processes, reducing real estate space and cutting operating budgets
- ✓ Continue to increase retail market share of high ROE segments
- ✓ Highest liquidity ratio and highest quality credit portfolio in the Israeli banking system
- ✓ Leumi ranked third among Israeli companies for employee satisfaction (BDI, The Marker)

Israeli Economy

Q1 2013 Financial Results

Key Takeaways

Appendix

Appendix

Slides:

24: A diversified business model

25: Strong and stable credit ratings

26: Largest free float of all Israeli banks

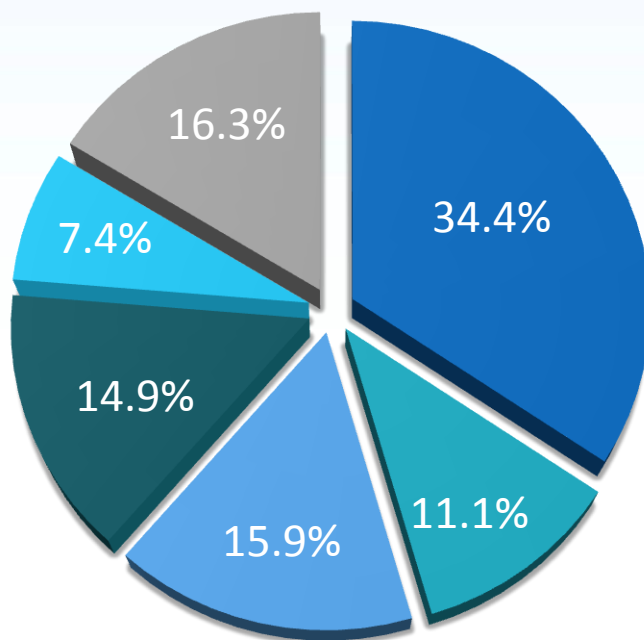
27: Problem debts

28: Nostro Portfolio

29: Exposure to certain foreign countries

A diversified business model

% of total income by business segment, consolidated, 31.03.2013



- Households
- Small businesses
- Corporate Banking
- Commercial Banking
- Private Banking
- Financial Management & Other

Strong and stable credit ratings

	Fitch	Moody's	S&P
State of Israel	A	A1	A+
Bank Leumi	A-	A2	BBB+

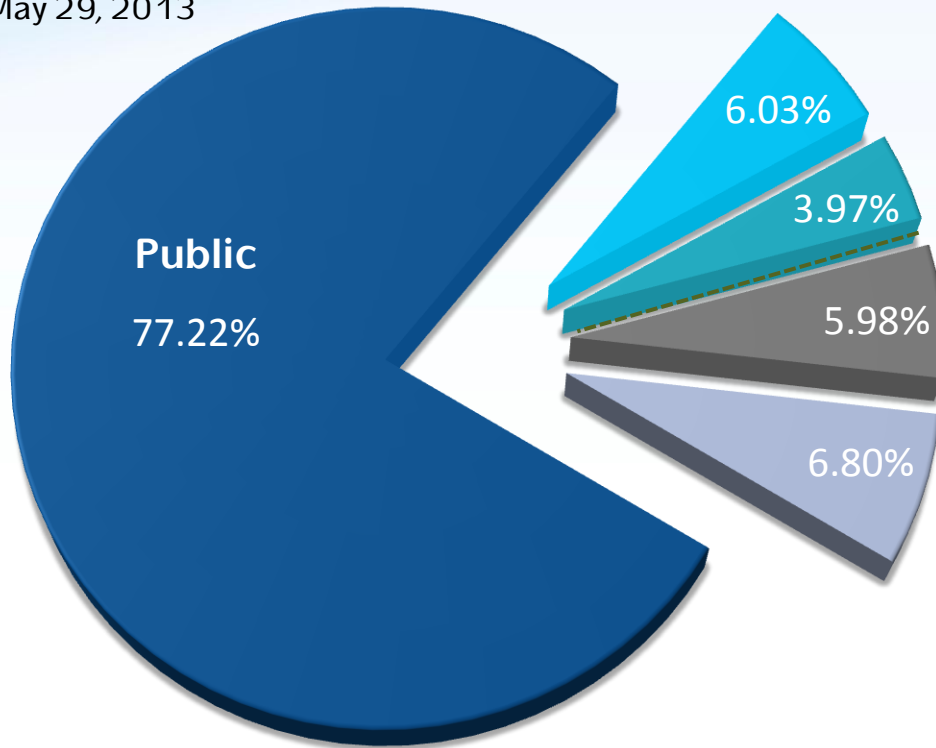
Ratings on long-term debt (deposits) of Bank Leumi as at April 2013.

Current ratings in place since: Fitch, Feb. 2008; Moody's, April 2011; S&P, April 2009.

Current rating outlook of all three rating agencies is stable.

Largest free float of all Israeli banks

At May 29, 2013



Government of Israel on
behalf of the State of
Israel

Migdal Insurance and
Financial Holdings Ltd.*

Shlomo Eliahu Holdings Ltd. &
Eliahu Insurance Co. Ltd.**

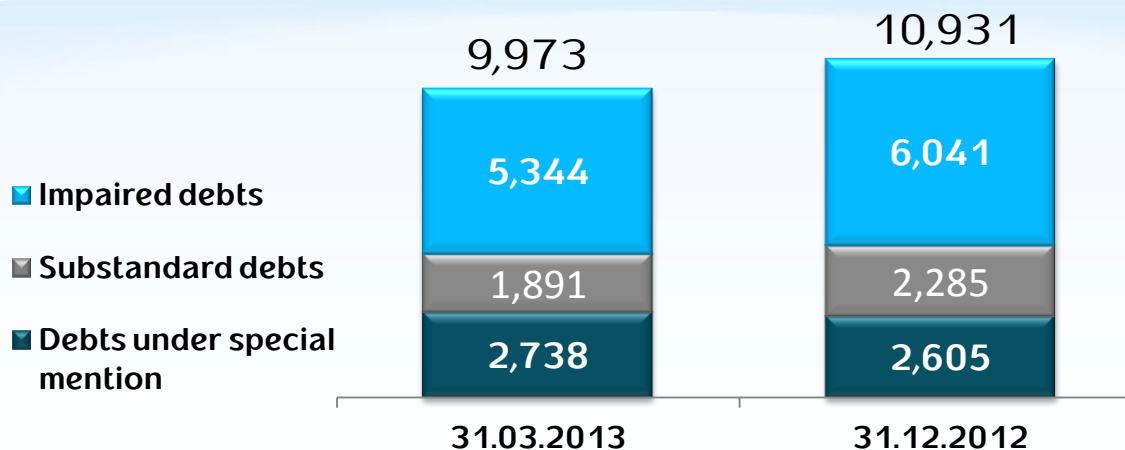
Companies in the Psagot
Investments House Ltd. Group

* Migdal Insurance and Financial Holdings Ltd. controlled by Eliahu Insurance Company Ltd. as of Oct. 2012.

** 3.17% of capital held by Mr. Uri Goren in trust for Shlomo Eliahu Holdings Ltd. and for Eliahu Insurance Company Ltd.
2.81% of capital held by Shlomo Eliahu Holdings Ltd., subject to a trust deed.

Problem debts

NIS millions



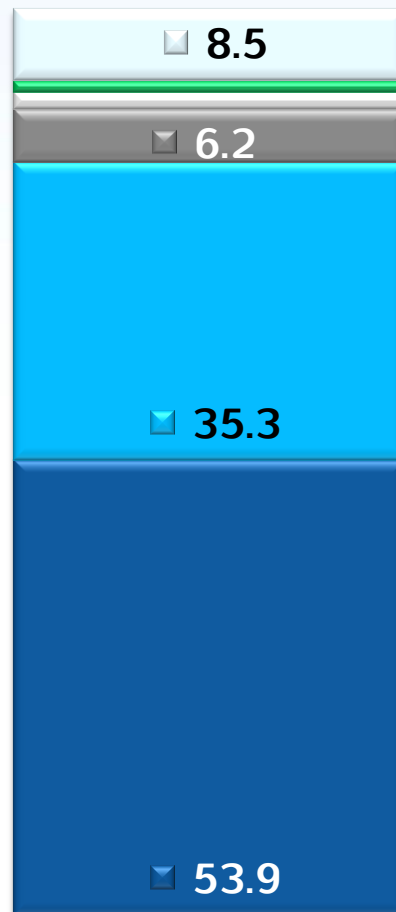
	31.03.2013			31.12.2012		
	Balance sheet	Off-balance sheet	Total	Balance sheet	Off-balance sheet	Total
Impaired debts	4,959	385	5,344	5,648	393	6,041
Substandard debts	1,866	25	1,891	2,183	102	2,285
Debts under special mention	2,162	576	2,738	1,979	626	2,605
Total	8,987	986	9,973	9,810	1,121	10,931

Nostro Portfolio

31.03.2013
NIS billions

Total: NIS 107.3

83% in Israel & US
government bonds
and deposits



■ 1.4
■ 2.0

Other

- Foreign bank bonds: NIS 4.9b
- Foreign corporate shares and funds: NIS 1.4b
- Foreign corporate bonds: NIS 2.2 b

Israeli stocks

Israeli corporate and bank bonds

MBS/ABS (mostly U.S. Gov't Sponsored)

Israel and US treasury bonds

Deposits (mostly central banks, and also: cash, deposits with foreign banks – mostly overnight – and deposits with Israeli banks)

Exposure to certain foreign countries

NIS millions, 31.03.2012

Country	Credit to the public	Bank bonds and others	Bank deposits	Other	Total as at	
					31.03.2013	31.12.2012
Greece	2	-	-	-	2	2
Ireland	5	1	-	-	6	6
Italy ¹	101	250	23	32	406	384
Portugal	-	-	-	-	-	-
Spain ²	17	140	-	3	160	209
Total	125	391	23	35	574	601

1. Exposure is to bonds of Bank Intesa

2. Most of the bond exposure is to Santander Bank, the majority of whose revenues are from sources outside of Spain



Thank you