

Leumi Group

Q1 2014 Earnings Review

The information contained in this presentation –

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.

Israeli economy

- GDP growth continues to outpace many OECD countries
- Acceleration of GDP growth in 2015 expected to be a result of increases in investments and exports
- No foreign debt and high level of FX reserves
- Debt/GDP ratio at 66% in 2015, compared to the forecast of 112% for the OECD average (2015)
- Inflation remains very low
- Low unemployment

Main Macroeconomic Variables	2013*	2014**	2015**
Annual Rates of Change, Real Terms			
GDP	3.3%	3.4%	4.0%
GDP net of technical impact of gas inclusion	2.4%	2.5%	...
Percentage of GDP			
Current account surplus(+)/deficit (-)	2.5%	2.8%	3.0%
Government budget surplus (+)/deficit (-)	-3.1%	-2.7%	-2.7%
Government debt (central)	66%	67%	66%
Annual Average			
Unemployment rate (using new data definitions)	6.2%	6.3%	6.0%
Additional Data			
Consumer price index, year-end change	1.8%	0.8%	1.4%
Shekel / US\$ average exchange rate	3.61	3.47	3.37
Bank of Israel average interest rate	1.39%	0.70%	1.40%

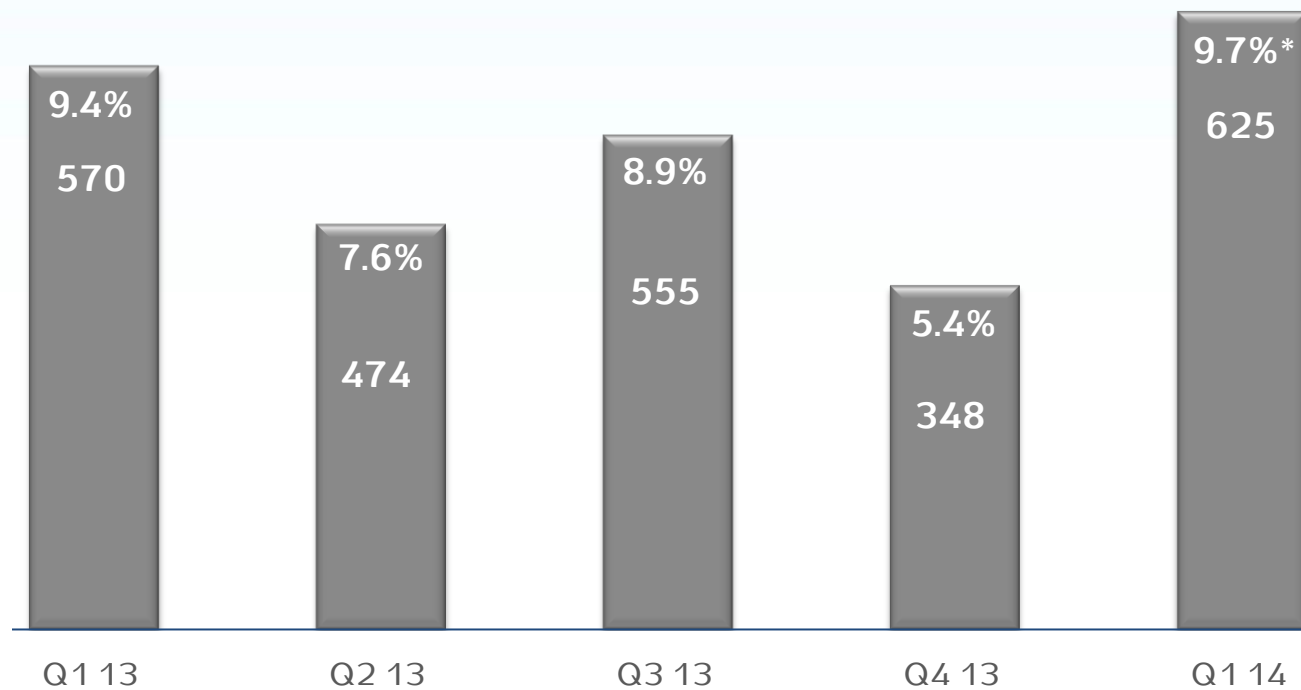
Principal Results

	31.3.2014	31.3.2013	Δ %
	NIS millions		
Total Income	3,131	3,231	(3.2)
Expenses (income) in respect of credit losses	(51)	73	+
Net interest income after expenses in respect of credit losses	1,808	1,689	7.0
Operating & other expenses	2,124	2,057	3.3
Net Profit	625	570	9.6
	%		
Return on Equity	9.7	9.4	
Capital Adequacy	14.39*	14.84**	
Core Capital Adequacy	9.41*	8.85**	

*Basel III, **Basel II

Net profit & ROE

NIS millions, ROE %



* Excludes Q1 2014 Israel Corp results

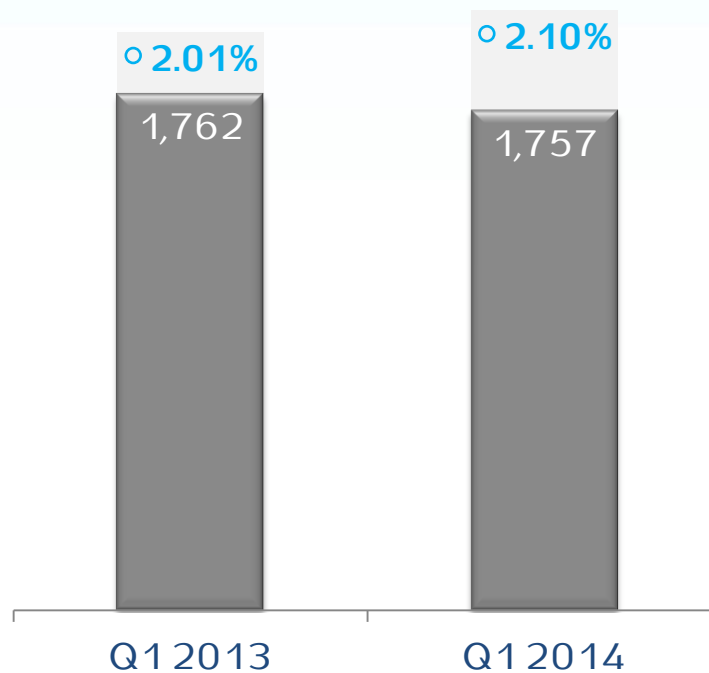
Low interest rates continue to impact net interest income

NIS millions

o Interest margin accumulated for the period end

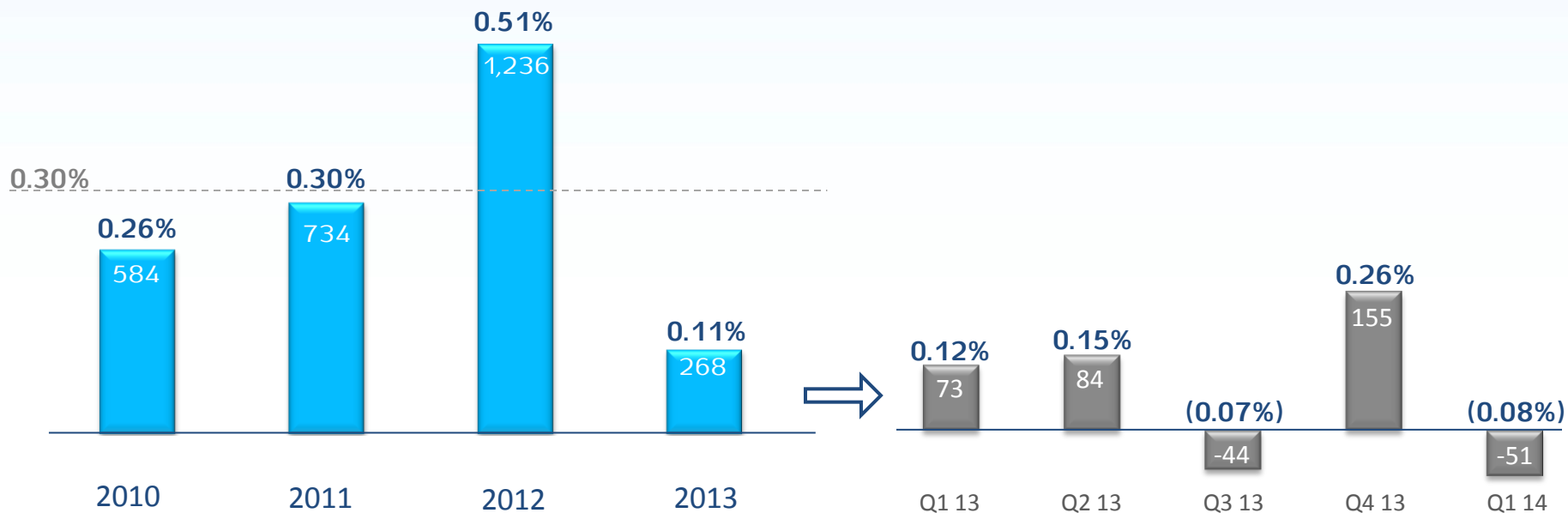
Q1 2013 Average Bol interest rate: 1.75%

Q1 2014 Average Bol interest rate: 0.92%



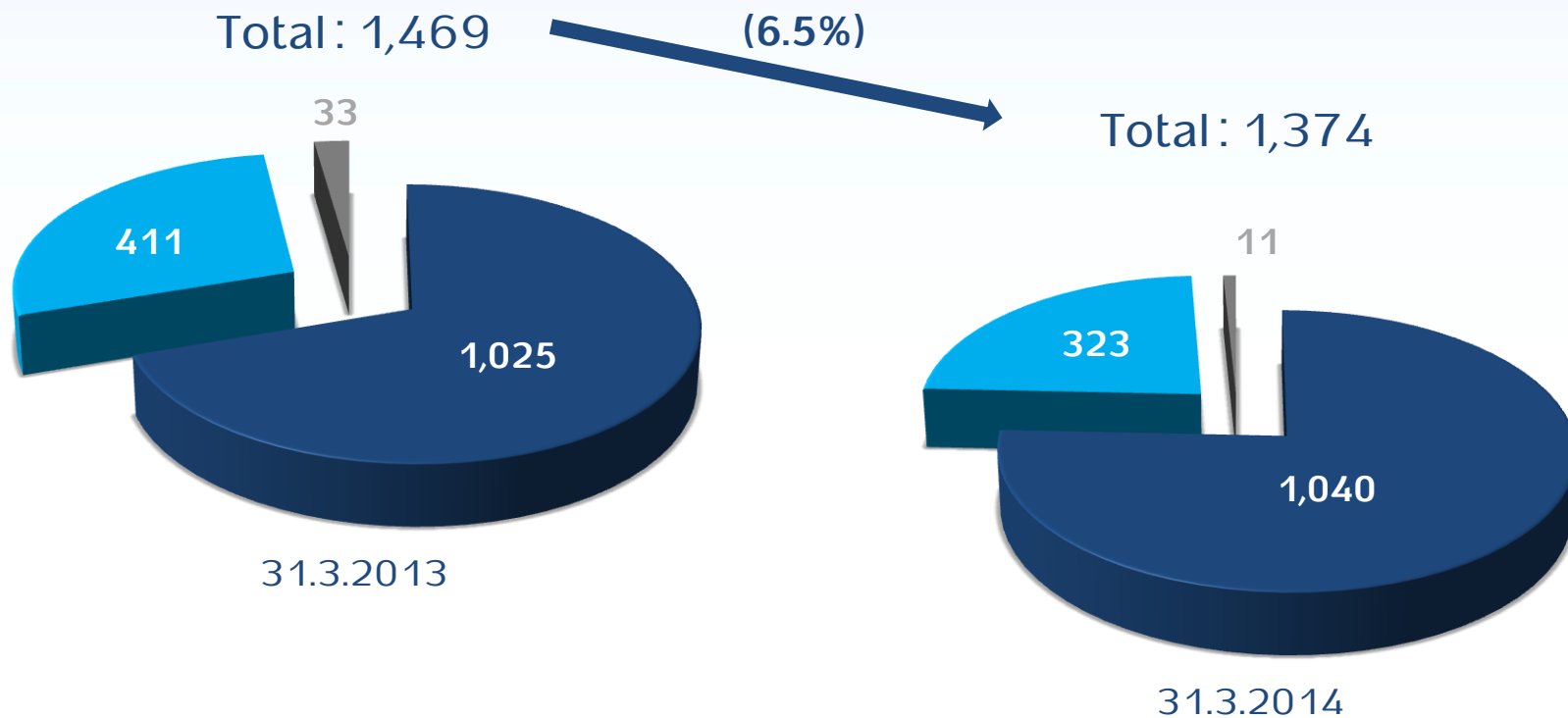
Rate of provision is significantly below the 4 year average

NIS millions



Non-interest income

NIS millions



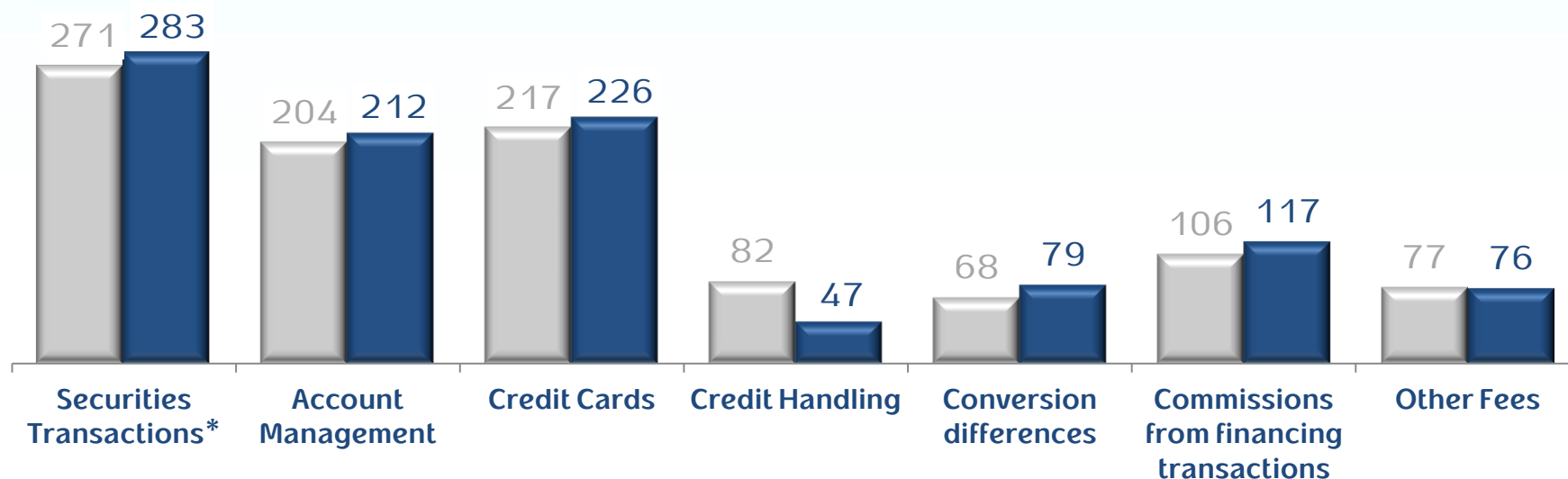
Operating Commissions Non-interest financing income Other income

Commission revenue stable and diverse

NIS millions

Total 31.3.2013: 1,025

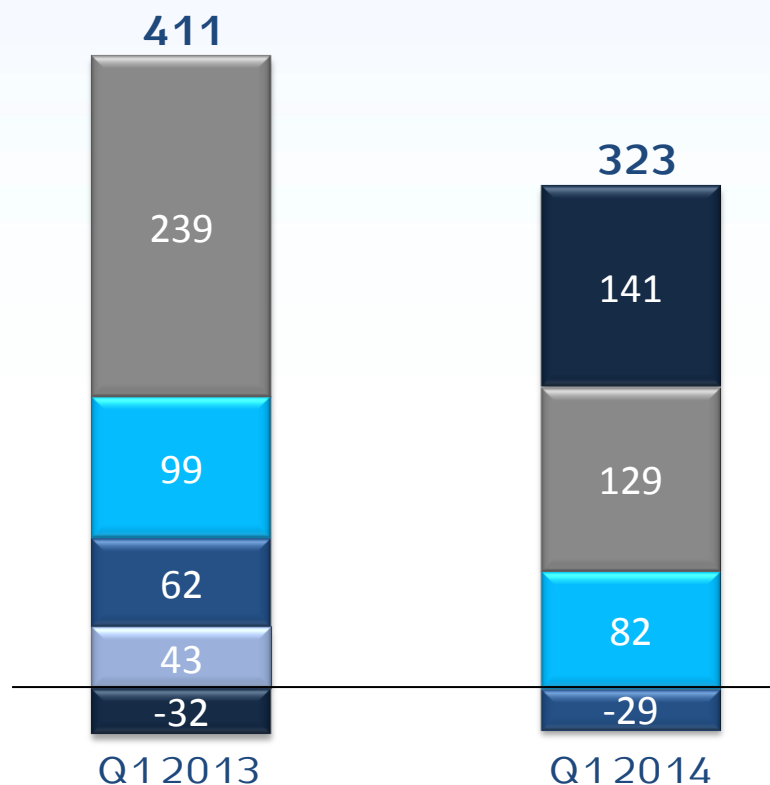
Total 31.3.2014: 1,040



*Includes financial product distribution commissions

Non-interest financing income

NIS millions



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

Profits from investments in shares, including dividends

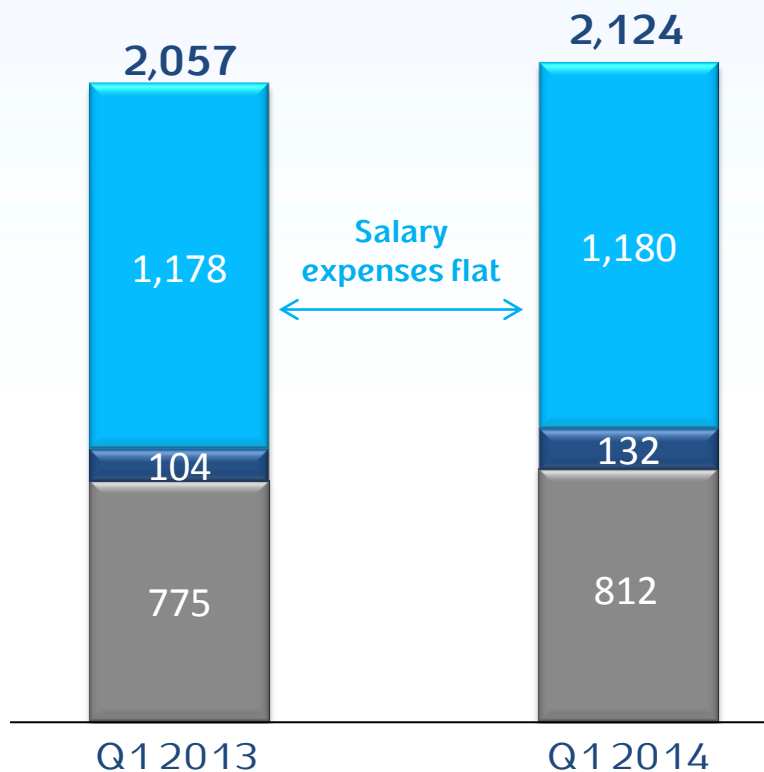
Profits from the sale of available-for-sale bonds, net

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

Profits in respect of loans sold

Total operating and other expenses

NIS millions



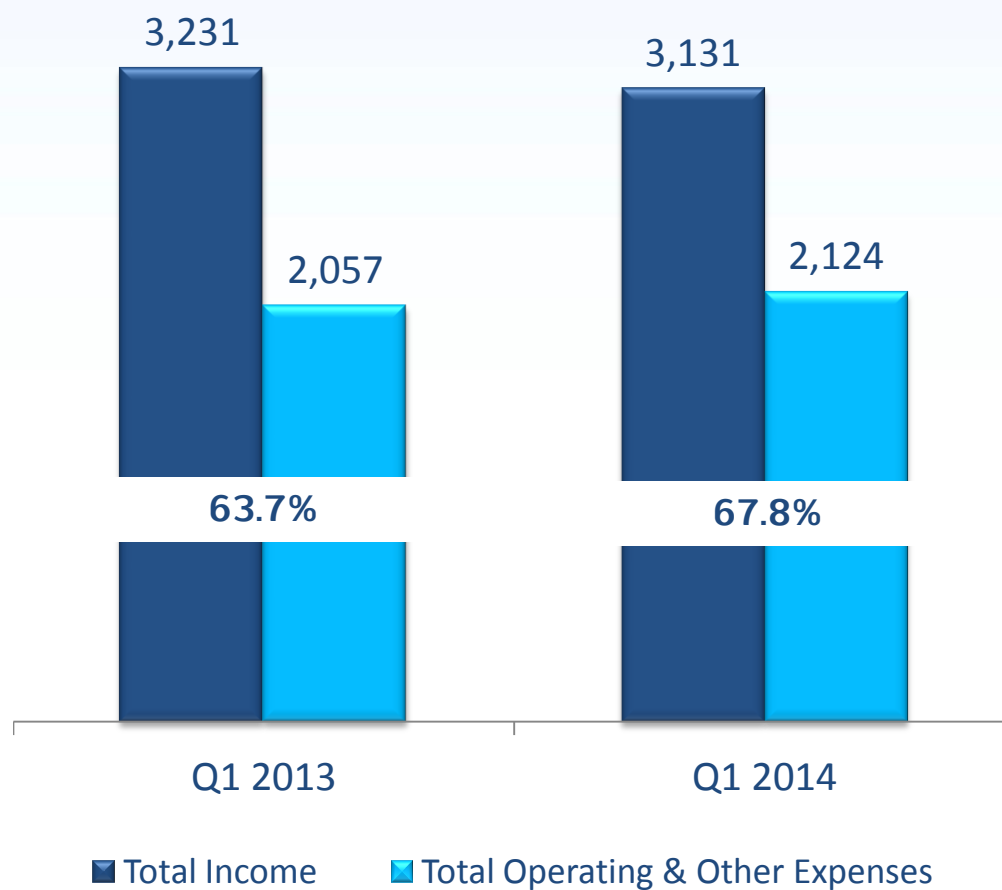
Salary & related expenses

Bonus

Maintenance of buildings & equipment, depreciation & other expenses

Cost/Income Ratio

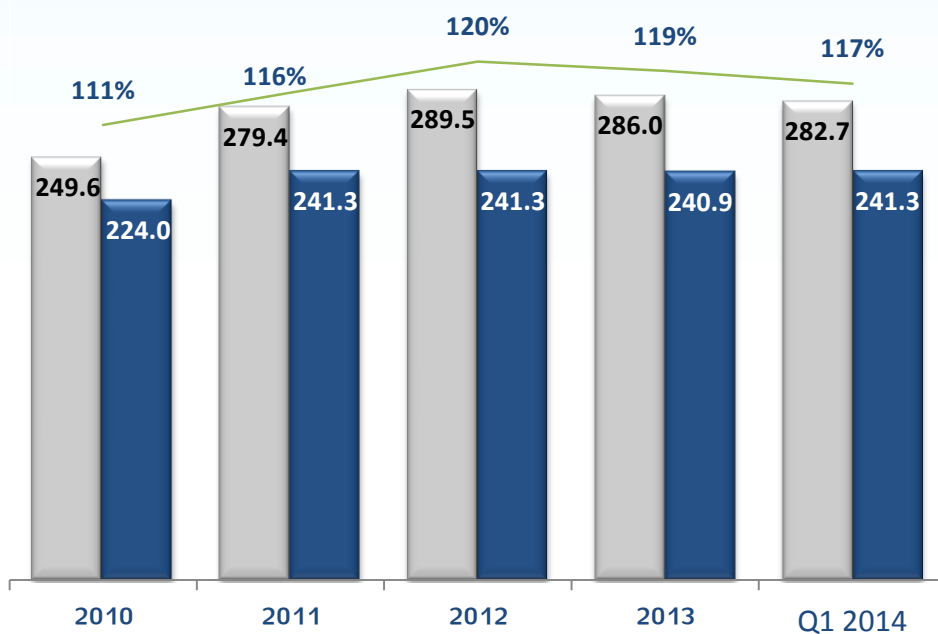
NIS millions



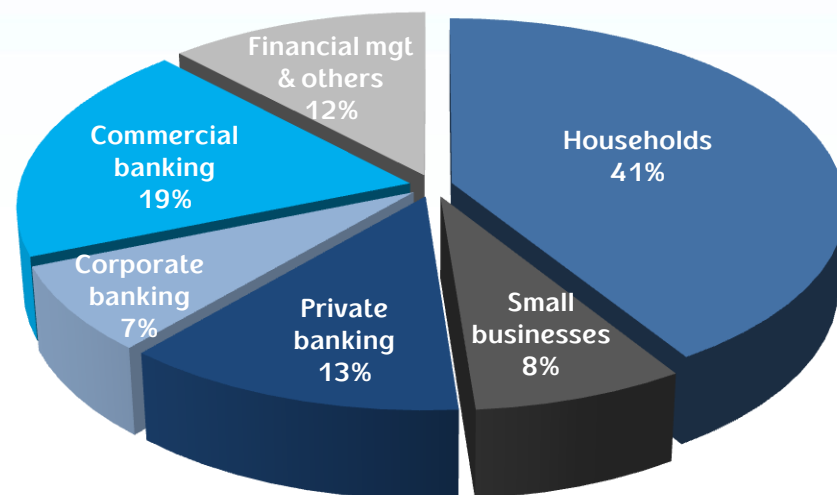
Deposits

NIS billions

Deposits to Credits



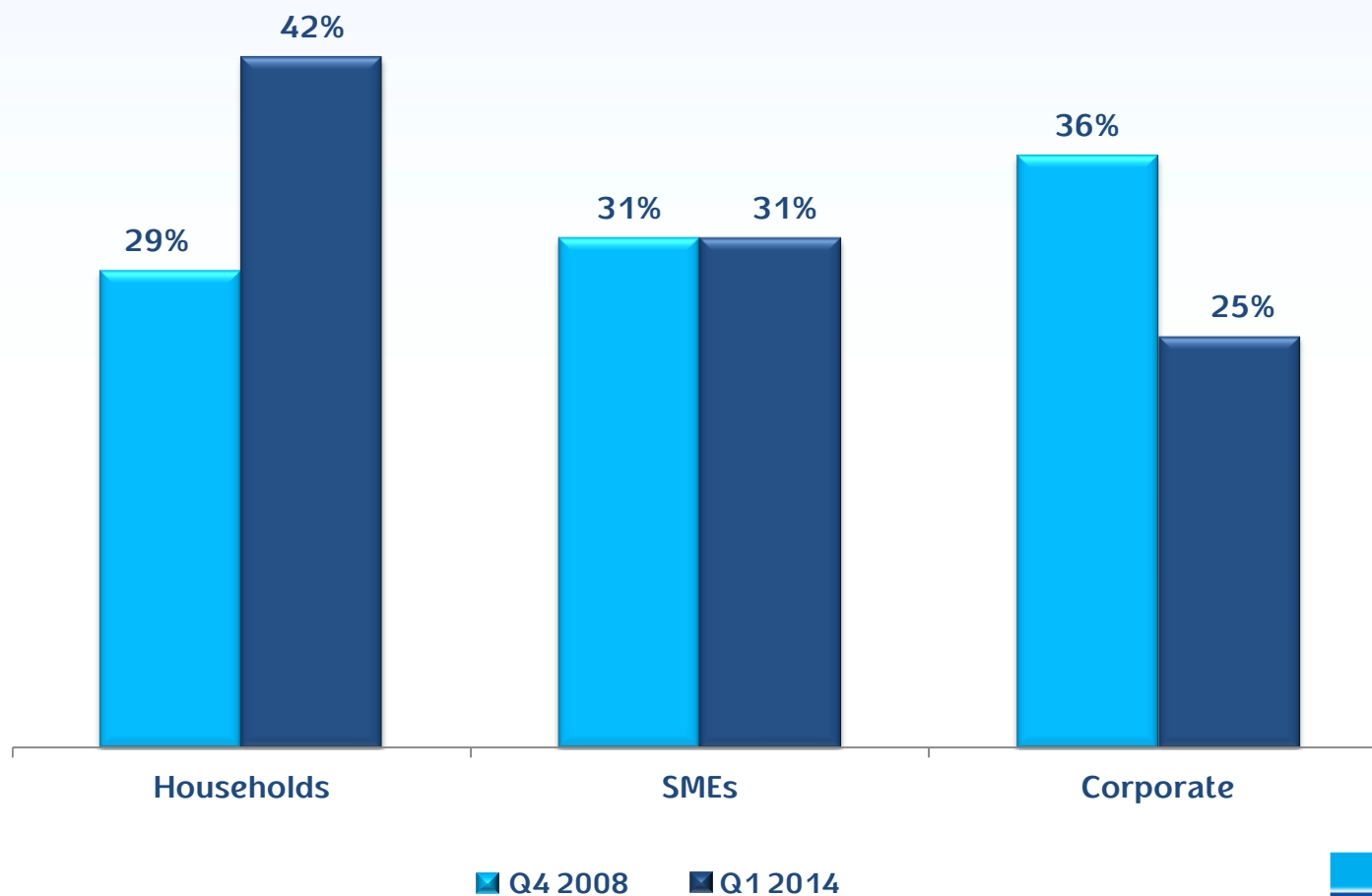
Deposits of the public by principal operating segment (31.3.14)



 Deposits of the public
  Credit to the public
  Deposits / credits

Diverse credit portfolio

Successful implementation of strategy to diversify our credit portfolio, focusing on households and SME segments



Credit to the public by operating segments

NIS millions

	31/03/2013	31/03/2014	Δ %
Households	92,469	102,212	10.5
Small Businesses	22,116	23,850	7.8
Commercial Banking	48,636	49,913	2.6
Total SMEs	70,752	73,763	4.3
Corporate Banking	66,961	58,922	(12.0)
Financial Management & Others	1,071	307	(71.3)
Total Corporate	68,032	59,229	(12.9)
Private Banking	7,361	6,069	(17.6)
Total	238,614	241,273	1.1

Quality credit portfolio

Credit concentration

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

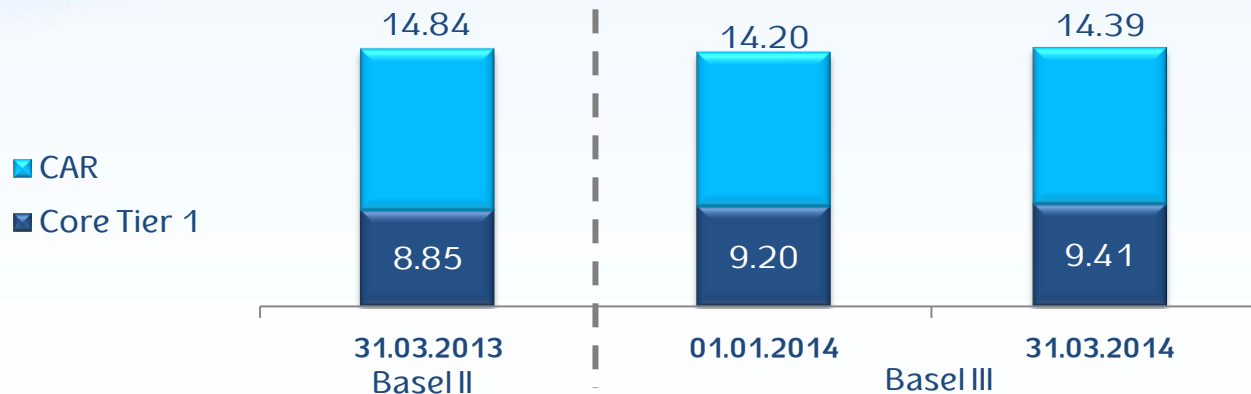
	31.12.2011	31.12.2012	31.12.2013	31.03.2014
Groups of borrowers	2	1	-	-
% of capital	37.6%	18.0%	-	-

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)

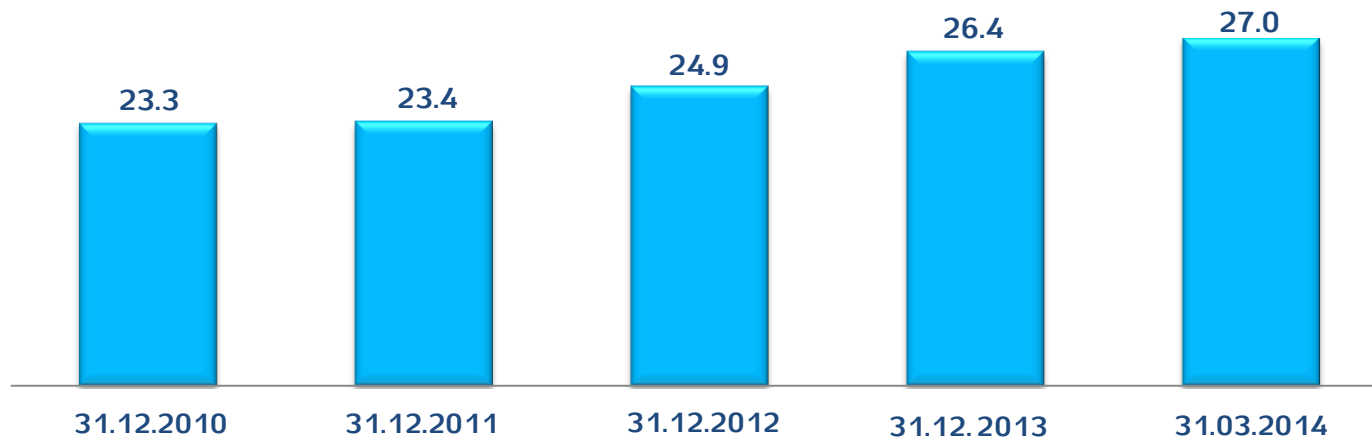
	31.12.2011	31.12.2012	31.12.2013	31.03.2014
% of capital	48.1%	18.0 %	14.7%	12.9%

Capital: positioned to meet regulatory requirements

Capital to risk weighted assets, %



Capital development, NIS billions



Leumi's strengths

Diversified revenue mix

Strong franchise

in the local banking system

"Plain vanilla" balance sheet

- loans: 65% of total assets
- deposits: 76% of total assets

High quality credit portfolio

- lower exposure to large borrower groups
- conservative credit policy and a strict underwriting policy
- NPL for Q12014: 2.1% of total credit

Strong liquidity

- in comparison to local and international peers
- lending funded mostly by retail deposits
- loans/deposits : 85%

Leader in IT services for customers

awarded the Most Innovative Transaction Bank in the Middle East (The Banker)

Thank you

For more information contact:

Herb Small

Head of Investor Relations

Tel: +972 76 8858630

Mobile: +972 50 651 9144

hsmall@bll.co.il