

Leumi Group

Second Quarter 2013

Earnings Review

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Israeli Economy

Q2 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 private consumption and fixed asset investment.
- Government steps to reduce deficit may help to prevent rise in debt/GDP ratio
- Inflation expected to remain low
- Interest rate cut expected towards year-end

Main Macroeconomic Variables	2012*	2013**	2014**
Annual Rates of Change, Real Terms			
GDP	3.2%	3.9%	3.3%
Gross product of the business sector	3.3%	3.3%	3.9%
Percentage of GDP			
Current account surplus(+)/deficit (-)	0.4%	2.6%	2.3%
Government budget surplus (+)/deficit (-)	-4.2%	-4.6%	-3.5%
Government debt	72.0%	72.0%	72.0%
Annual Average			
Unemployment rate	6.8%	6.9%	7.2%
Additional Data			
Consumer price index, year-end change	1.6%	2.3%	1.6%
Shekel / US\$ average exchange rate	3.86	3.64	3.61
Bank of Israel average interest rate	2.35%	1.43%	1.12%

*Source: Central Bureau of Statistics **Leumi forecast

Israeli Economy

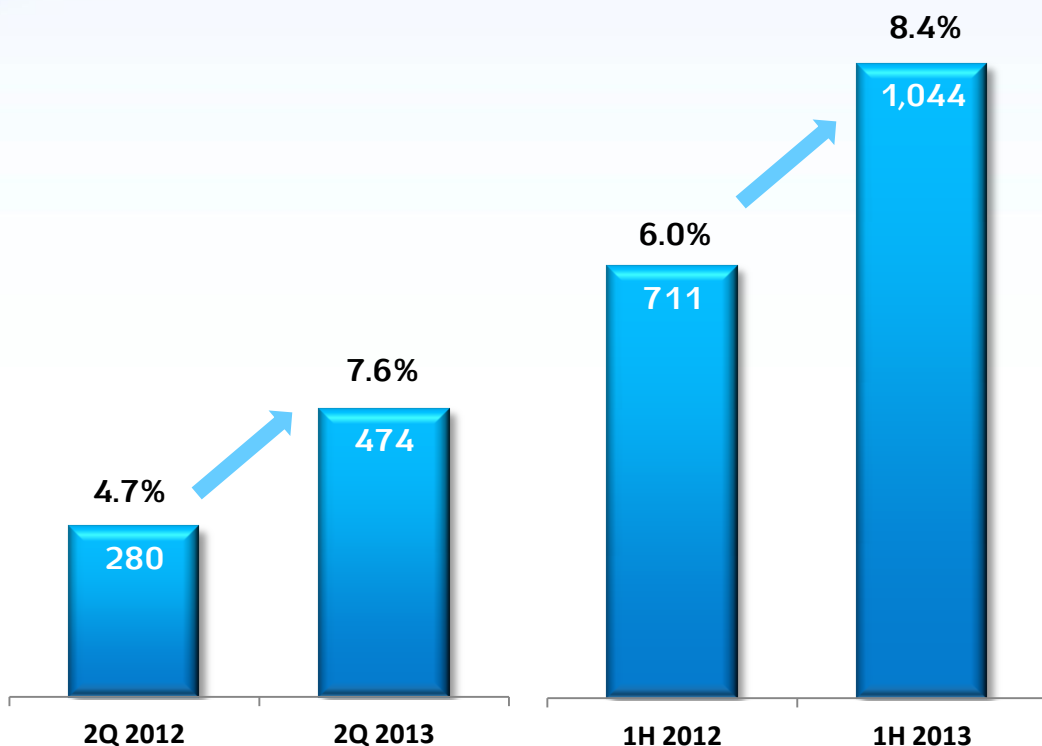
Q2 2013 Financial Results

Key Takeaways

Appendix

Net profit and RoE

NIS millions



Increase in net profit in 1H explained mainly by:

- Increase in non-interest income of NIS 543m
- Decrease in credit loss expenses of NIS 401m

Above items partially offset by:

- Decrease in net interest income of NIS 151m
- Increase in provision for taxes of NIS 282m
- Decrease in share of profits of associate companies of NIS 135m net after tax

Financial Performance

NIS millions

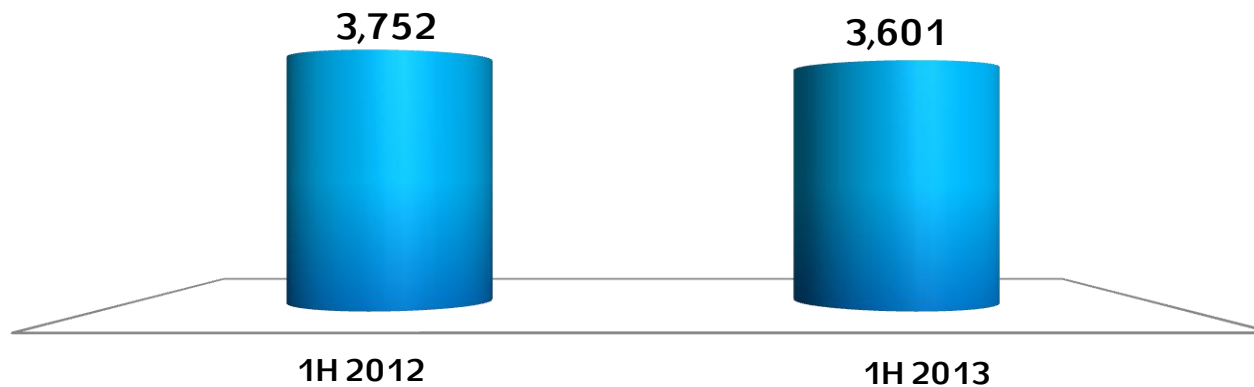
	30.6.2013	30.6.2012	Δ	Δ%
Net Interest income	3,601	3,752	(151)	(4.0)
Non Interest income	2,715	2,172	543	25.0
Total Income	6,316	5,924	392	6.6
Expenses (Income) in respect of credit losses	157	558	(401)	(71.9)
Operating and other expenses	4,236	4,195	41	1.0
Pre-tax profit	1,923	1,171	752	64.2
Provision for tax	747	465	282	60.6
Profit after tax	1,176	706	470	66.6
Share of bank's profits in associated companies	(111)	24	(135)	-
Net profit attributable to non-controlling interests	(21)	(19)	(2)	(10.5)
Net Profit	1,044	711	333	46.8

Net interest income and interest margin

Interest margin, accumulated for the period end

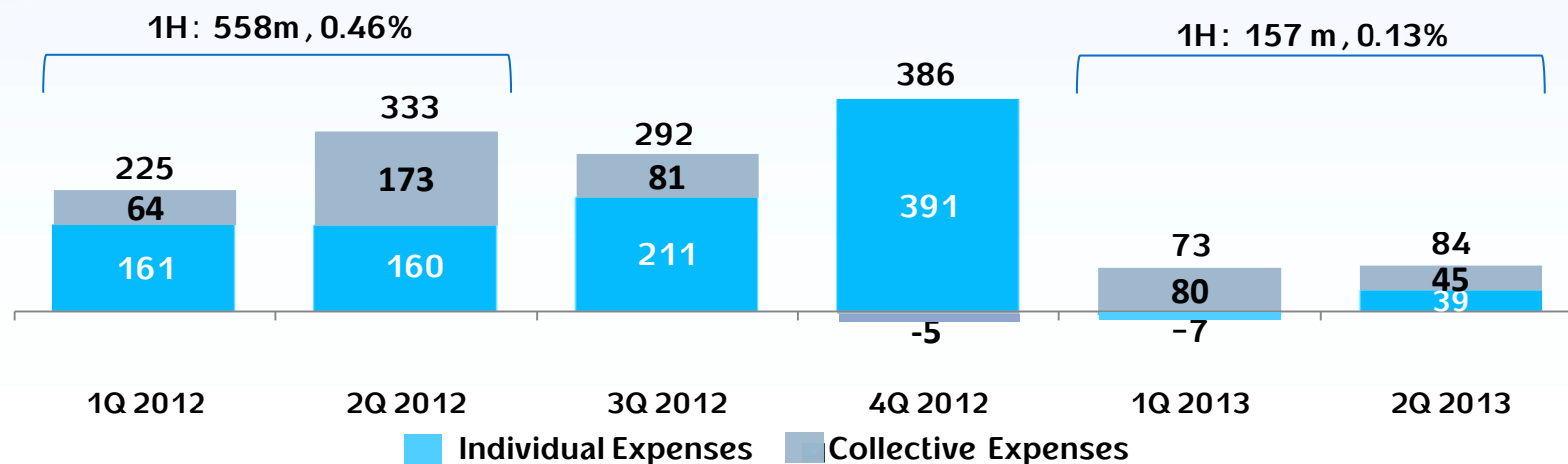


Net interest income, in NIS millions



Expenses for credit losses

NIS millions

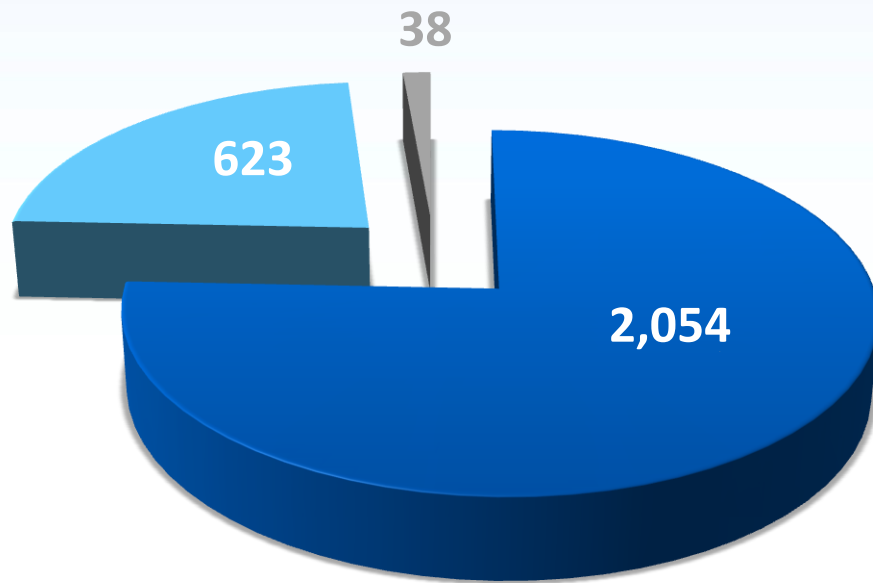


In %	2012					2013	
	1Q	2Q	3Q	4Q	FY	1Q	2Q
Individual expenses/total credit to the public	0.26	0.27	0.35	0.65	0.38	(0.01)	0.07
Collective expenses/total credit to the public	0.11	0.29	0.13	(0.01)	0.13	0.13	0.08
Total expenses/total credit to the public	0.37	0.56	0.48	0.64	0.51	0.12	0.15

Non-interest income

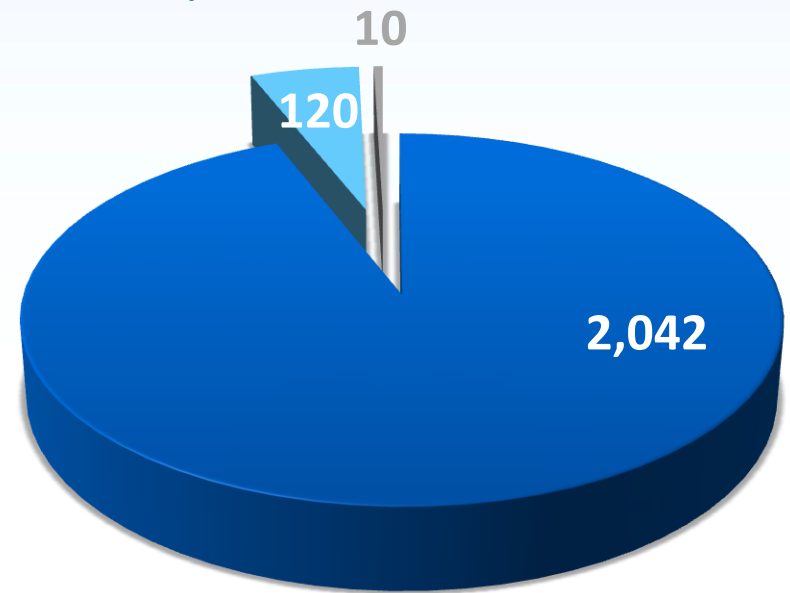
NIS millions

Total: 2,715



30.6.2013

Total: 2,172



30.6.2012

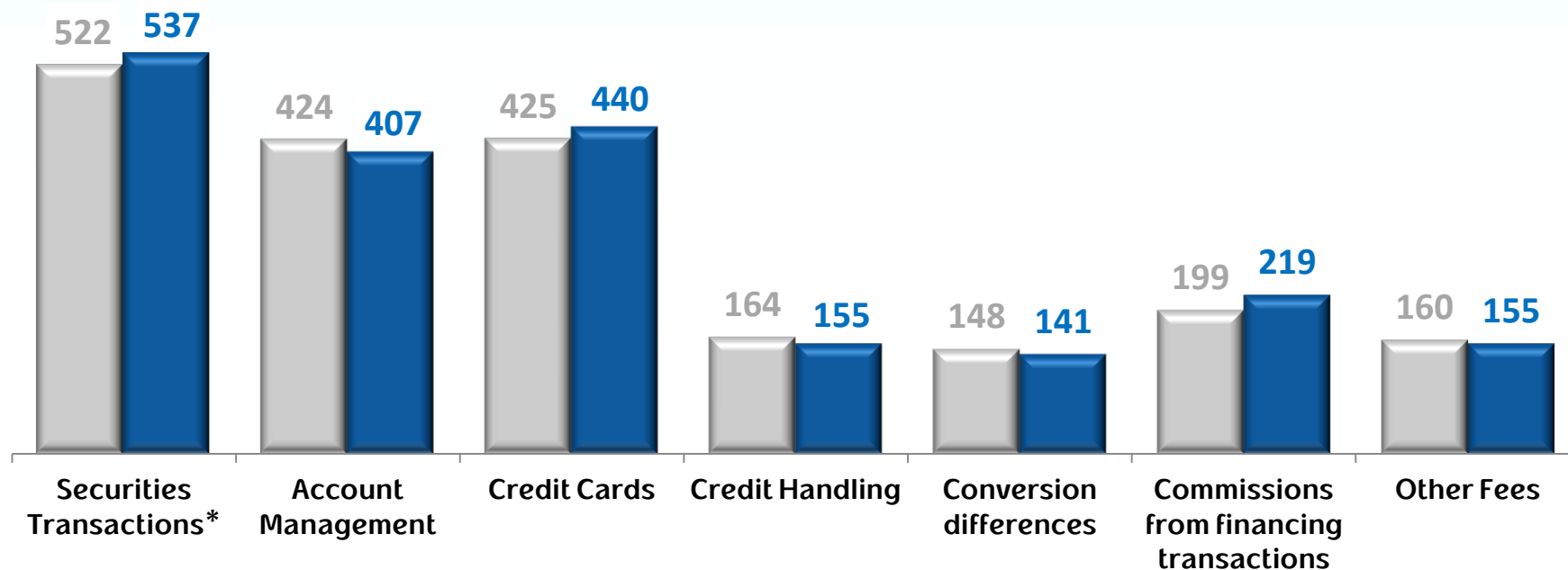
■ Operating Commissions ■ Non-interest financing income ■ Other income

Commission revenue stable and diverse

NIS millions

Total 30.06.2012: 2,042 USD: 3.923 EURO: 4.932 (Average)

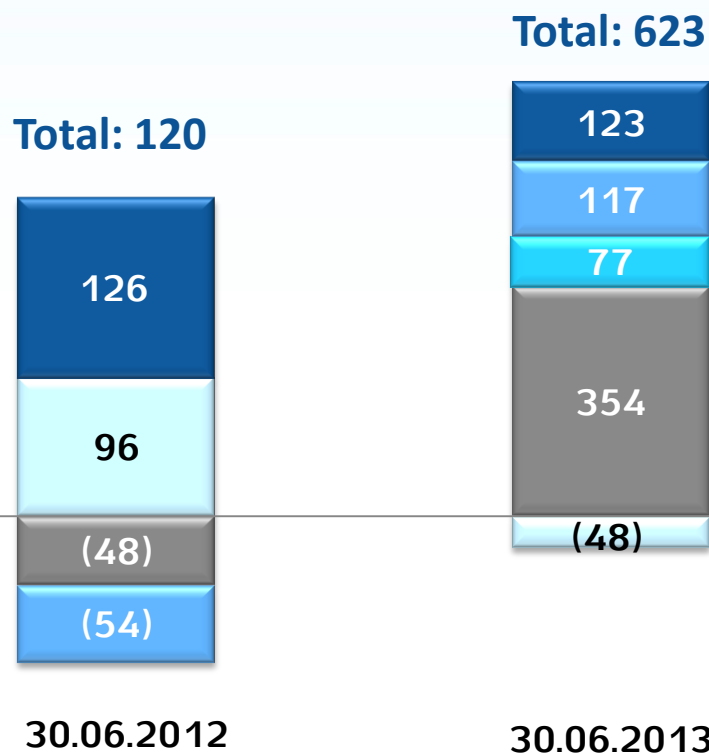
Total 30.06.2013: 2,054 USD: 3.618 EURO: 4.720 (Average)



*Includes financial product distribution commissions

Non-interest financing income

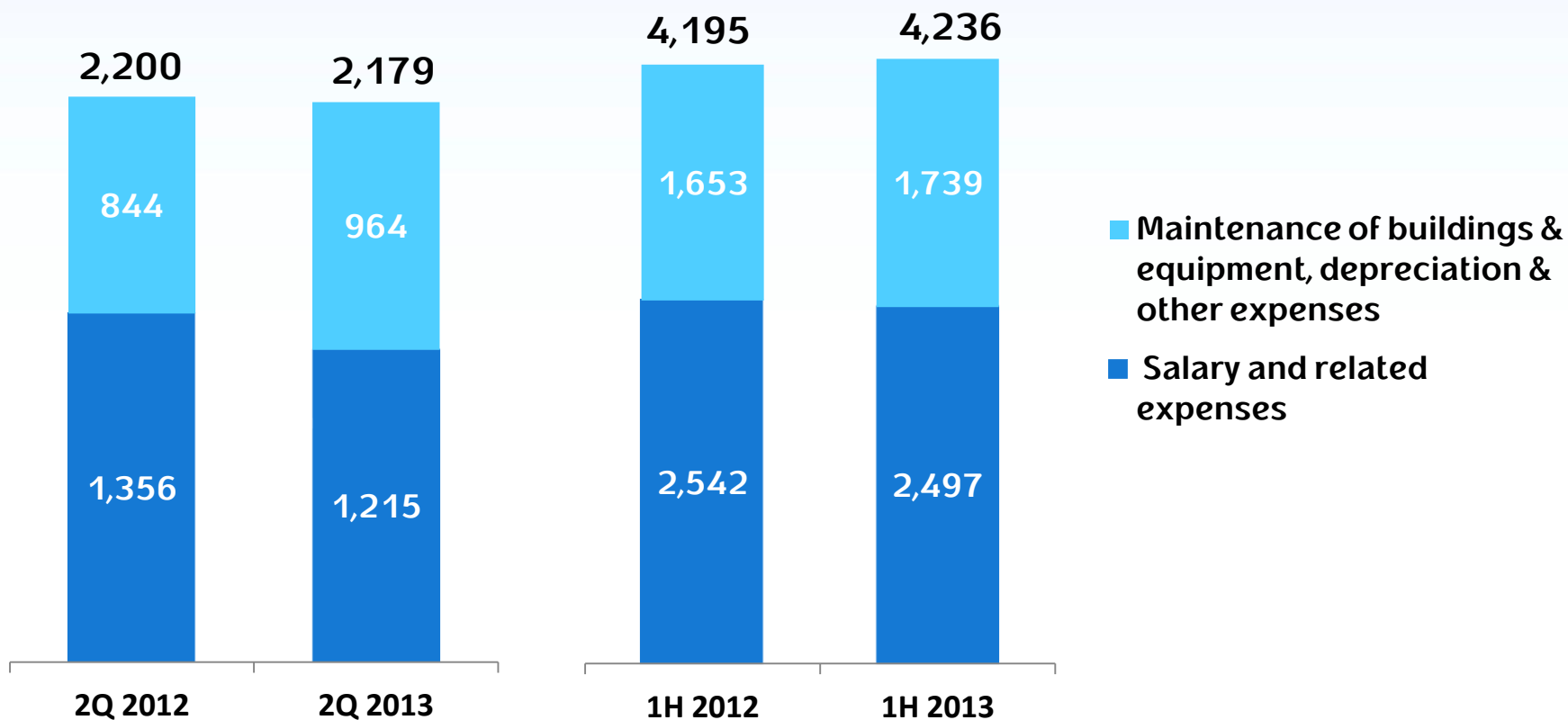
NIS millions



- 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
- Profits (losses) from investments in shares, including dividends
- Net profits (losses) from realized and unrealized gains from adjustments to fair value of tradable bonds and shares

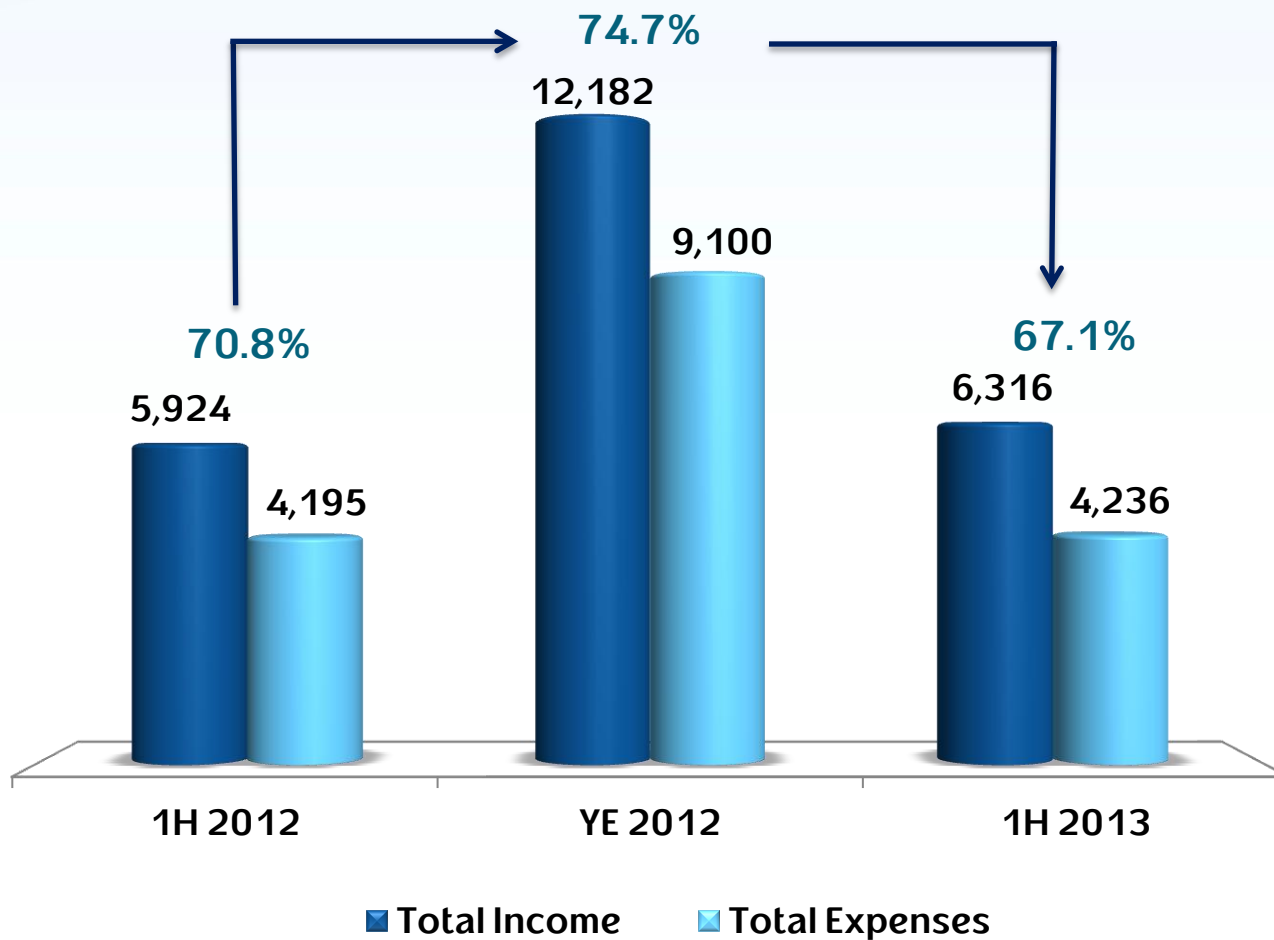
Total Operating and Other Expenses

NIS millions



Cost/Income Ratio

NIS millions

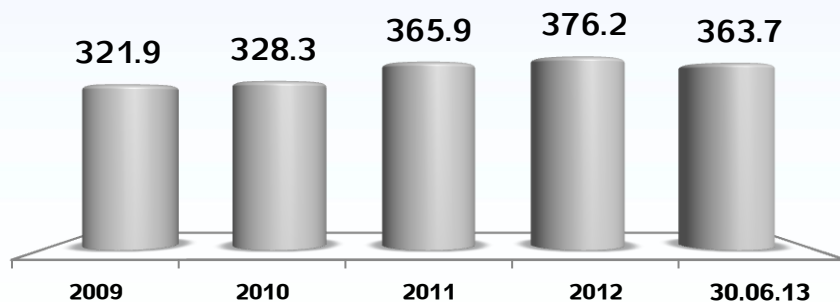


Development of balance and off-balance sheet

NIS billions

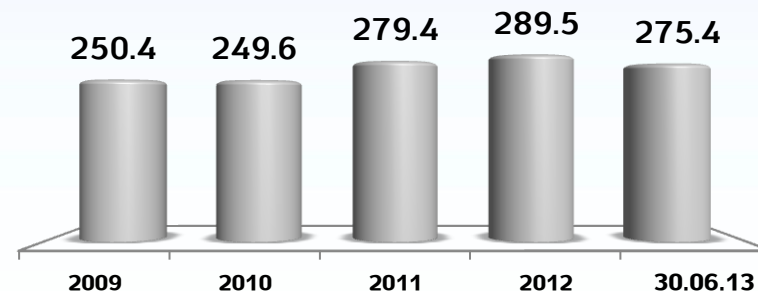
Total assets

13.0%



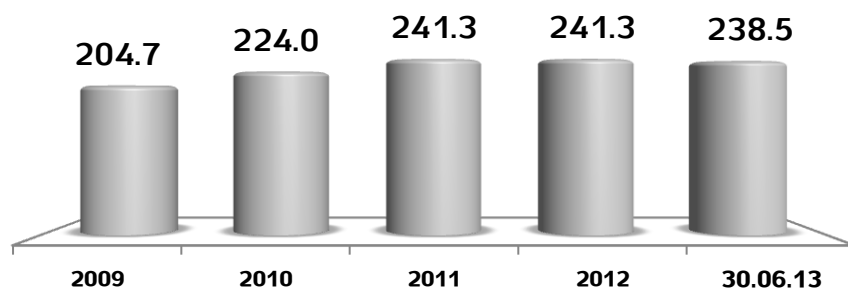
Deposits

10.0%



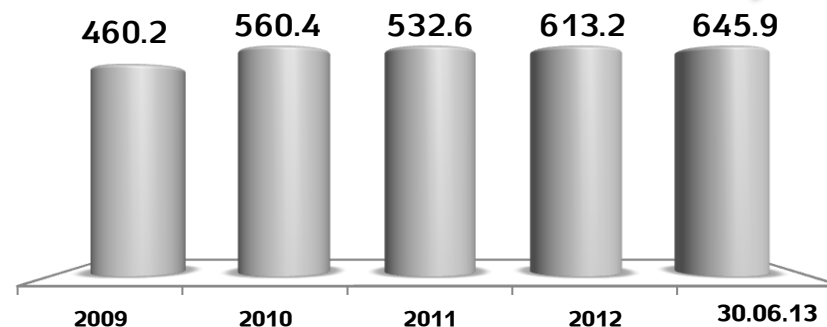
Credit

16.5%



Off-balance sheet

40.3%

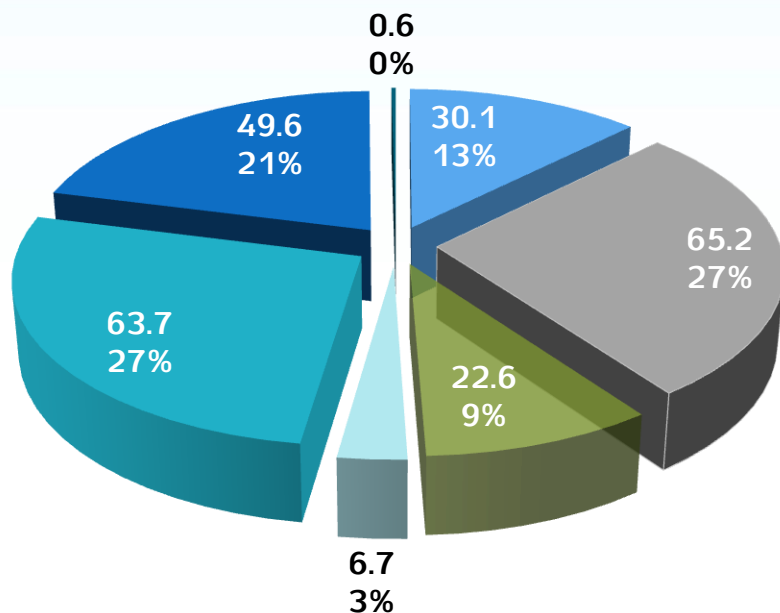


Diverse credit portfolio

NIS billions

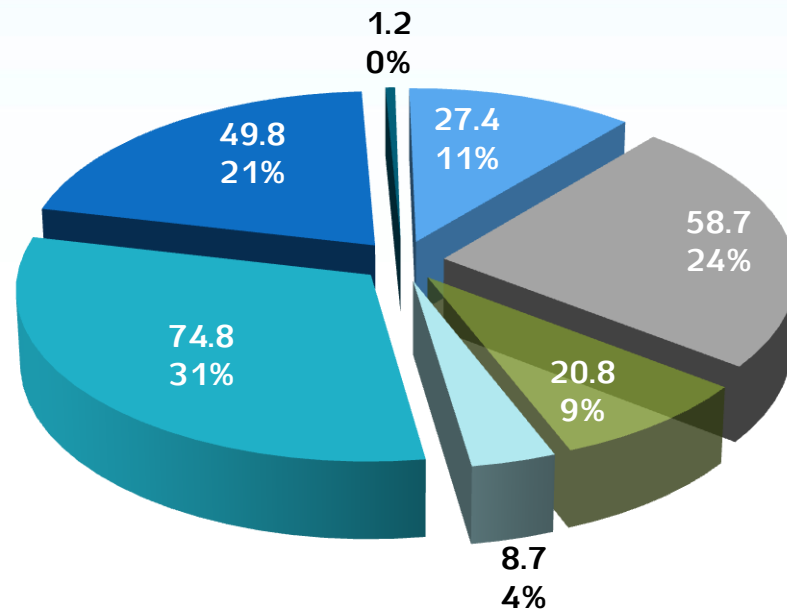
Composition of loan portfolio

30.06.2013: Retail 52%, Corporate 48%



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

30.06.2012: Retail 48%, Corporate 52%



- Mortgages
- Private banking
- Commercial banking

Quality credit portfolio

Credit concentration

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

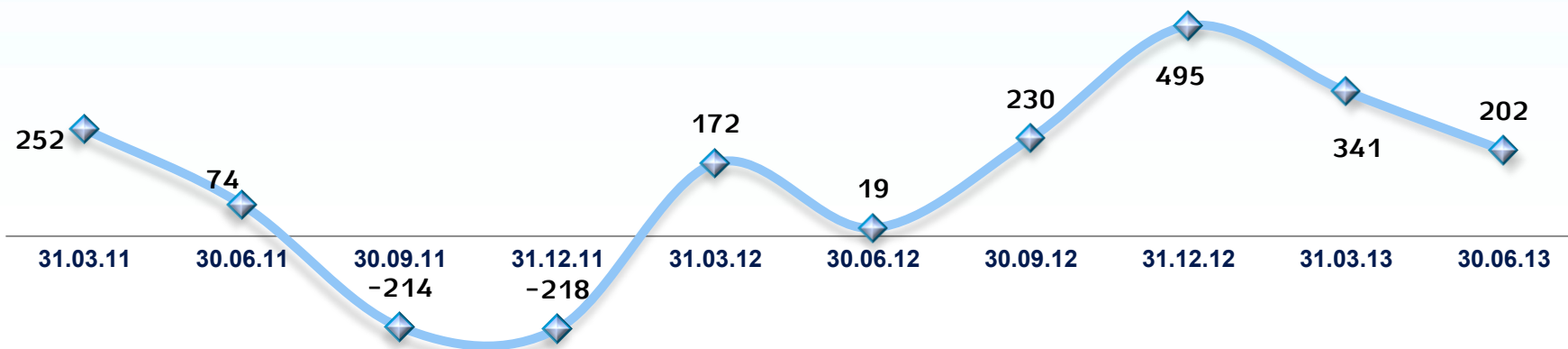
	31.12.2011	31.12.2012	30.06.2013
Groups of borrowers	2	1	1
% of capital	37.6%	18.0%	16.0%

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	30.06.2013
% of capital	48.1%	18.0 %	16.0%

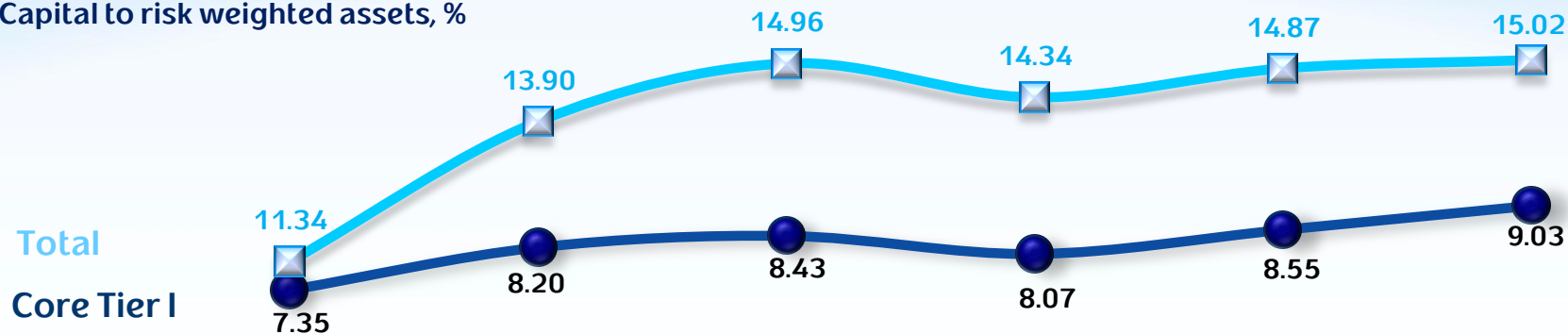
Net balances in capital in respect of available-for-sale securities (included in OCI)

NIS millions

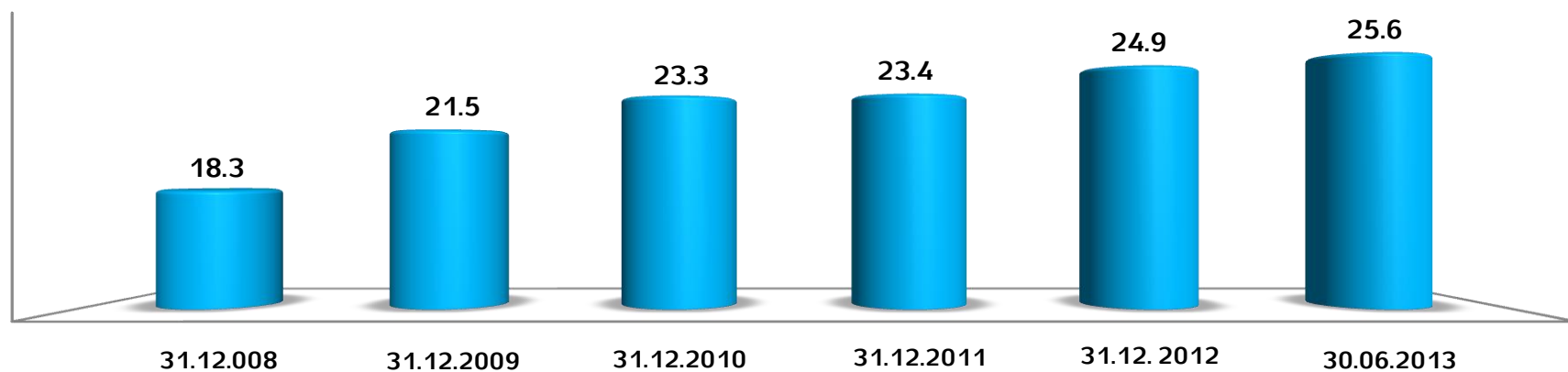


Capital: positioned to meet regulatory requirements

Capital to risk weighted assets, %



Capital development, NIS billions



Israeli Economy

Q2 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
- ✓ The highest quality credit portfolio in the Israel banking system
- ✓ Leumi is highly liquid, in comparison to local and international peers

Israeli Economy

Q2 2013 Financial Results

Key Takeaways

Appendix

Appendix

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24: A diversified business model

25: Strong and stable credit ratings

26: Largest free float of all Israeli banks

27: Problem Debts

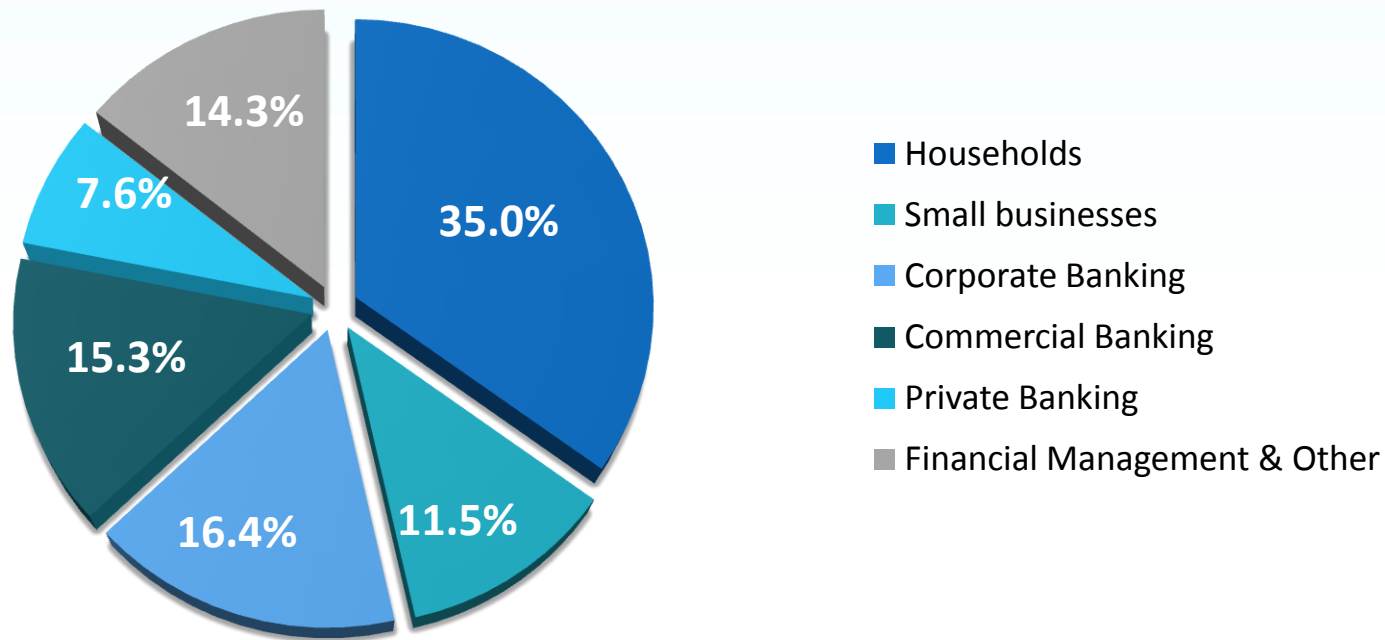
28: Nostro Portfolio

29: Exposure to certain foreign countries

A diversified business model

June 30, 2013

% of total income by business segment, consolidated



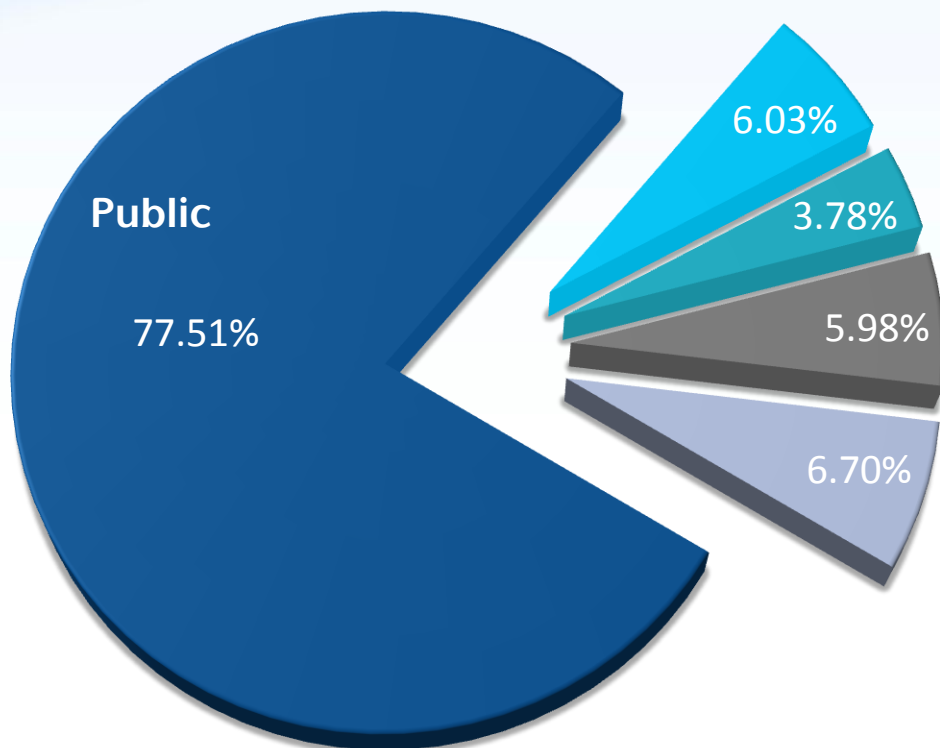
Strong and stable credit ratings

	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 at August 29, 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

July 31, 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

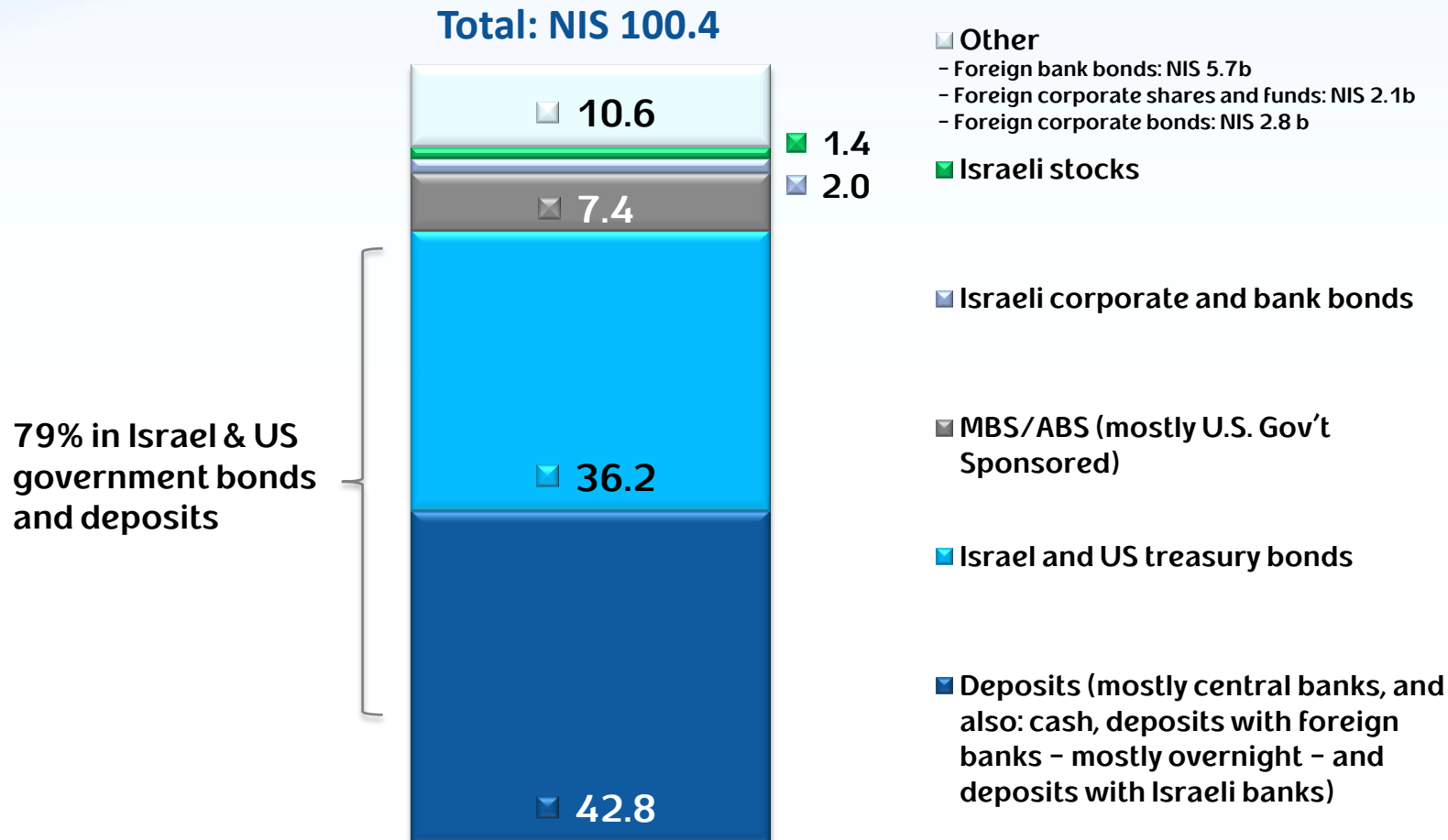
NIS millions



	31.12.2012			30.06.2013		
	Balance sheet	Off-balance sheet	Total	Balance sheet	Off-balance sheet	Total
Impaired debts	5,620	393	6,013	4,509	275	4,784
Substandard debts	1,647	102	1,749	1,532	25	1,557
Debts under special mention	2,543	626	3,169	2,535	576	3,111
Total	9,810	1,121	10,931	8,576	876	9,452

Nostro Portfolio

NIS billions, June 30, 2013



Exposure to certain foreign countries

NIS millions, June 30, 2013

Country	Credit to the public	Bank bonds and others	Bank deposits	Other	Total as at	
					30.06.2013	31.12.2012
Greece	6	-	-	-	6	2
Ireland	4	1	-	-	5	6
Italy ¹	97	251	14	32	394	384
Spain ²	19	138	1	5	163	209
Portugal	-	-	-	-	-	-
Total	126	390	15	37	568	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