

Leumi Group

Q3 and 9 months 2012 earnings review

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The Israeli economy

- 2.8% GDP forecast continues to outpace other developed economies
- Government deficit increased due to tax revenue shortfall
- Declining trend of debt/GDP coming to a halt; likely to rise temporarily
- Current account remains balanced
- Unemployment expected to rise
- Inflation remains in 1-3% price stability range
- Shekel depreciated in real terms vis a vis the currency basket

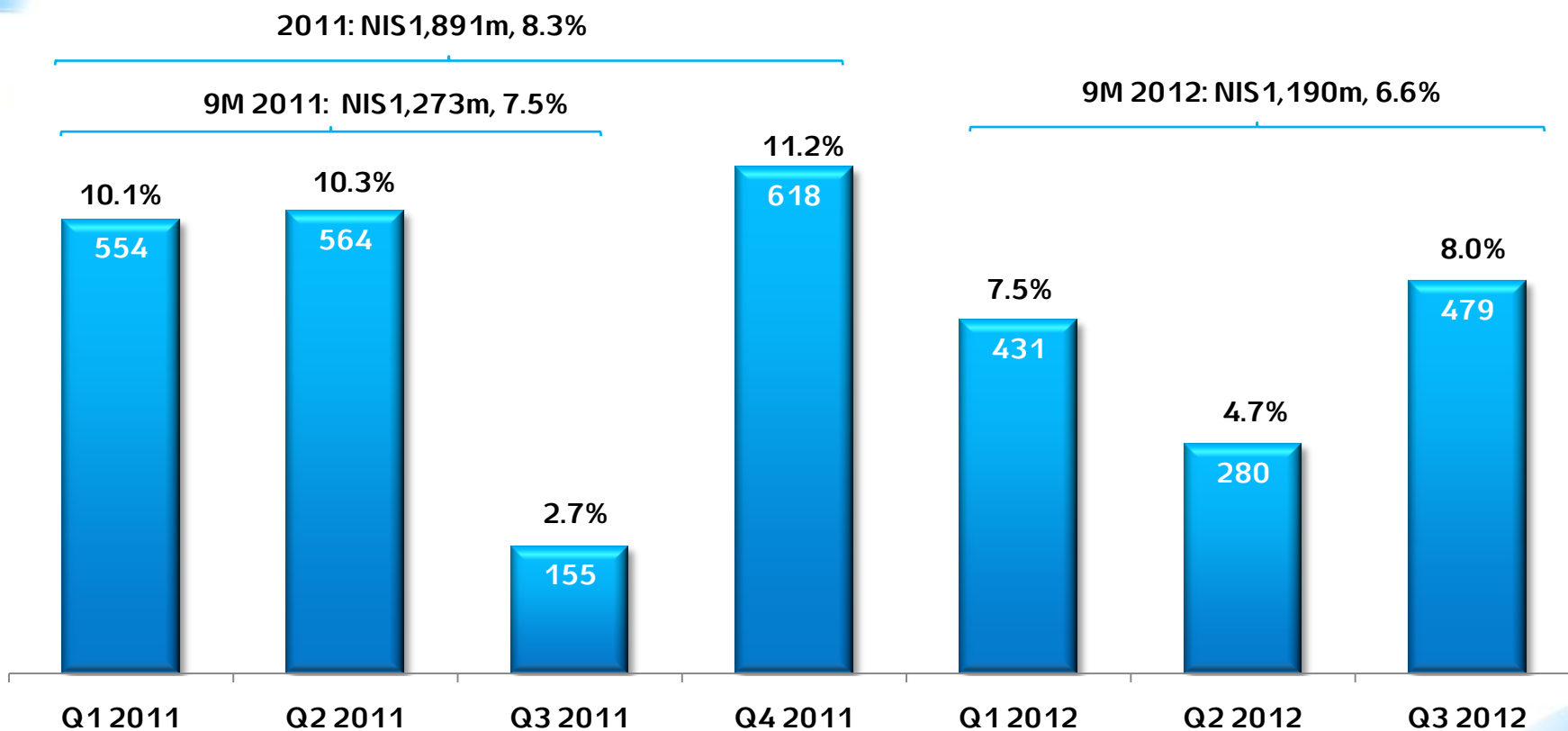


Main Macroeconomic Variables	2011	2012 – official estimate*	2013 – Leumi forecast**
Annual Rates of Change, Real Terms			
GDP	4.6%	3.5%	2.8%
Gross product of the business sector	5.1%	3.4%	3.0%
Percentage of GDP			
Current account surplus(+)/deficit (-)	0.8%	0.4%	0.8%
Government budget surplus (+)/deficit (-)	-3.3%	-4.3%	-4.4%
Government debt	73.0%	74.0%	75.0%
Annual Average			
Unemployment rate (using new data definitions)	6.9%	7.1%	7.5%
Additional Data			
Consumer price index, year-end change	2.2%	1.8%	1.8%
Shekel / US\$ average exchange rate	3.58	3.88	4.00
Bank of Israel average interest rate	2.9%	2.4%	1.8%

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

Net profit and RoE; significant increase QoQ

NIS millions



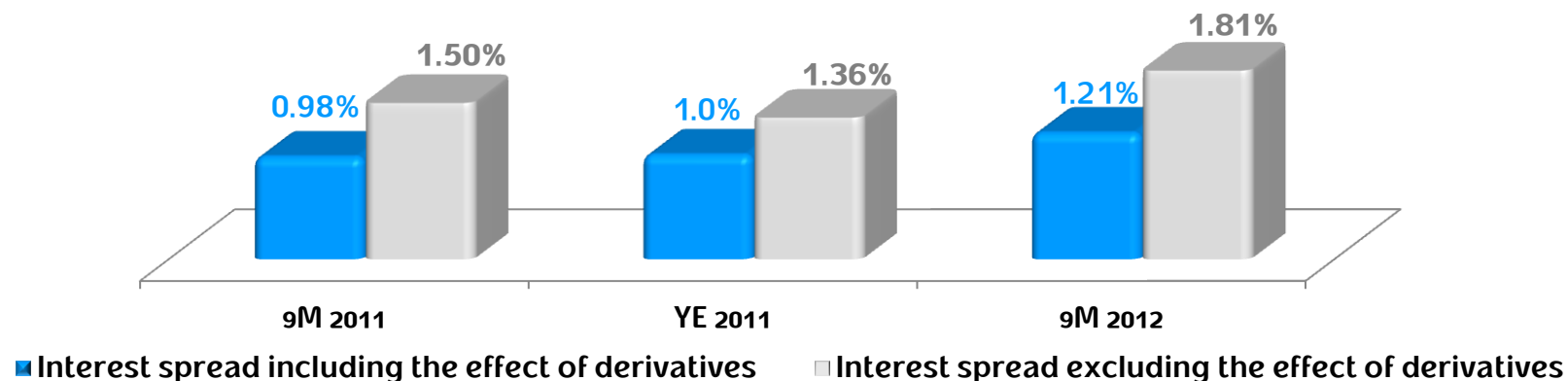
Financial performance

NIS millions

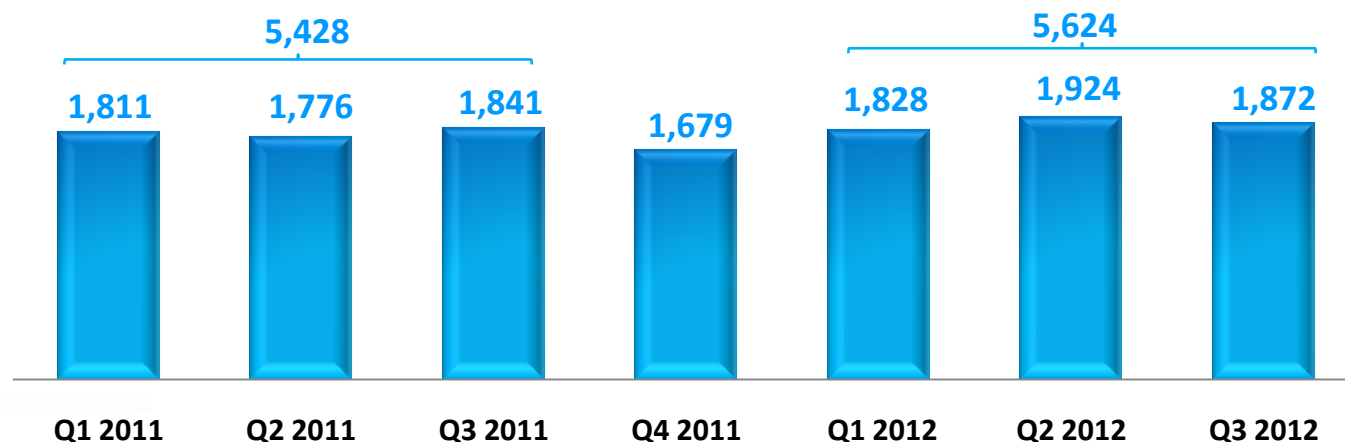
	9M2012	9M2011	Δ	Δ%
Net Interest income	5,624	5,428	196	3.6
Noninterest income	3,380	2,972	408	13.7
Total Income	9,004	8,400	604	7.2
Expenses (income) in respect of credit losses	(850)	(349)	(501)	143.6
Operating and other expenses	(6,489)	(6,220)	(269)	4.3
Pre-tax profit	1,665	1,831	(166)	(9.1)
Provision for tax	(578)	(664)	86	(13.0)
Profit after tax	1,087	1,167	(80)	(6.9)
Share of bank in associated companies	132	145	(13)	(9.0)
Net profit attributable to non-controlling interests	(29)	(39)	10	(25.6)
Net Profit	1,190	1,273	(83)	(6.5)

Net interest income and interest spread

Interest spread, including exchange rate differentials, accumulated for the period end

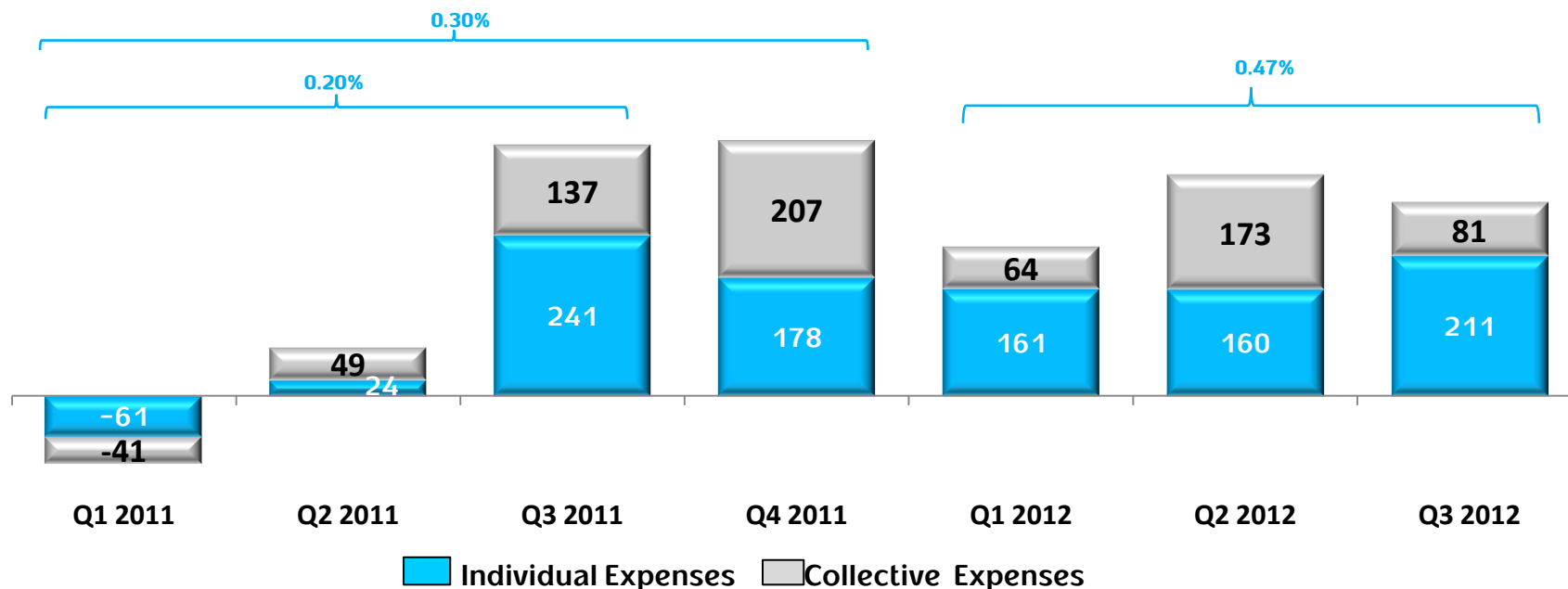


Net interest income, excluding exchange rate differentials and derivatives, in NIS millions



Expenses for credit losses

NIS millions



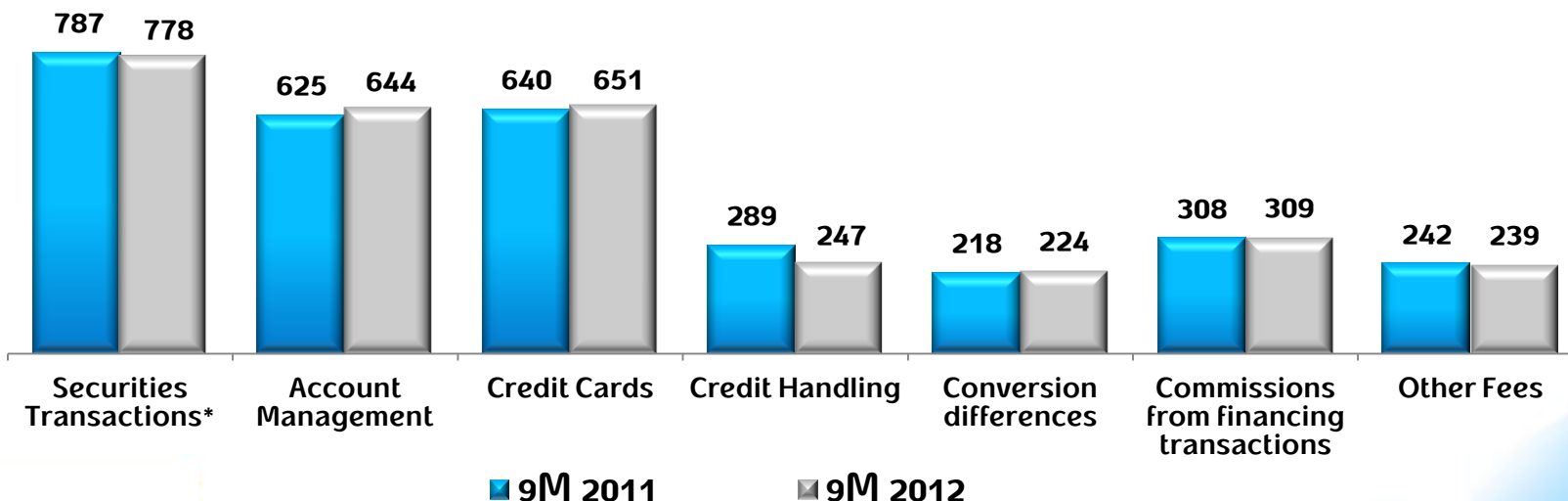
In %	2011					2012		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
Individual expenses/total credit to the public	(0.11)	0.04	0.41	0.30	0.16	0.27	0.27	0.35
Collective expenses/total credit to the public	(0.07)	0.09	0.23	0.34	0.14	0.10	0.29	0.13
Total expenses/total credit to the public	(0.18)	0.13	0.64	0.64	0.30	0.37	0.56	0.48

Non-interest income and commission revenues

NIS millions

	9M 2012	9M 2011	Δ	Δ%
Commission revenues	3,092	3,109	(17)	(0.5)
Non-interest financing income	239	(166)	405	+
Other income	49	29	20	69.0
Total	3,380	2,972	408	13.7

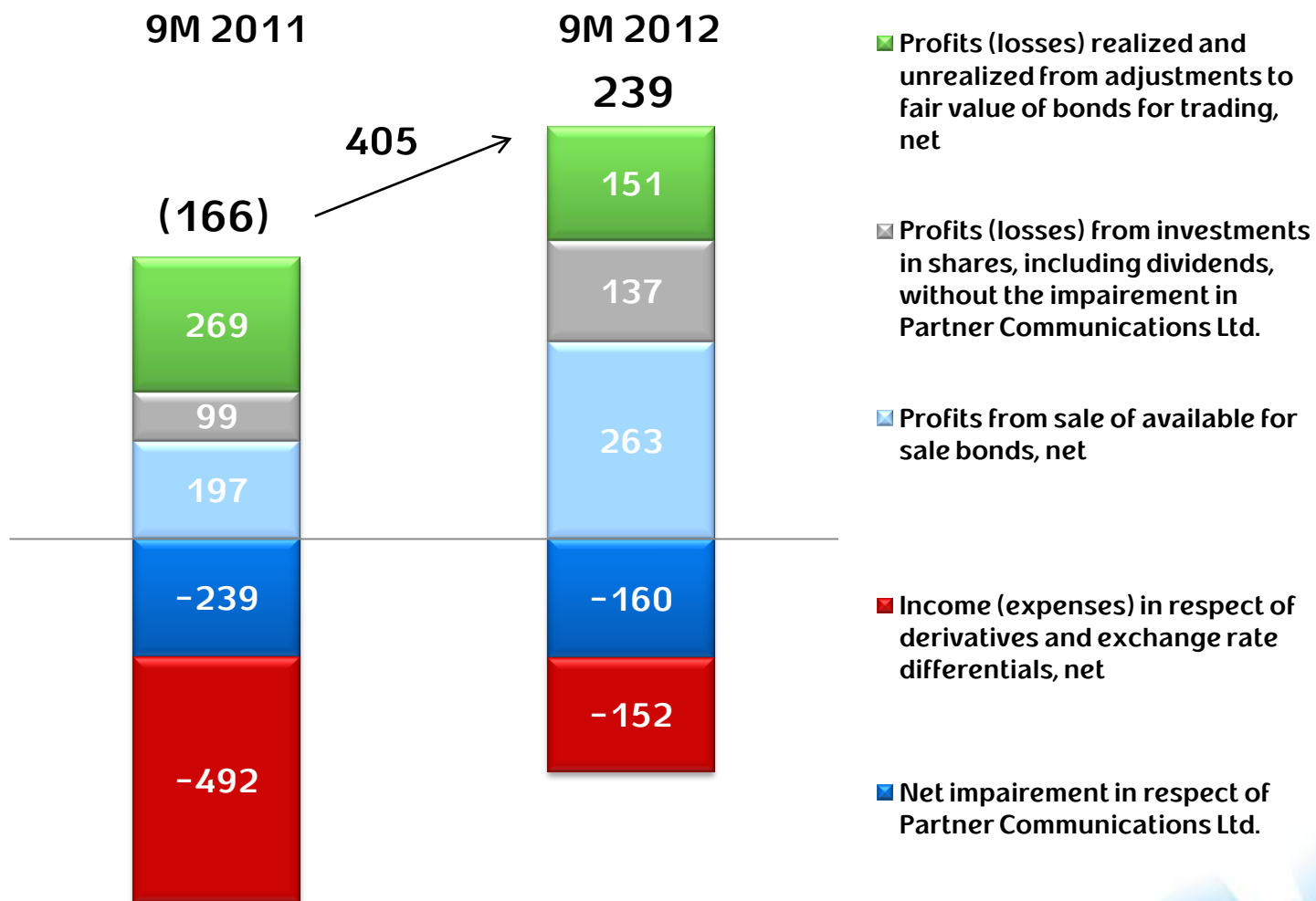
Commission revenues constitute 91% of total non-interest income, NIS millions



*Includes financial product distribution commissions

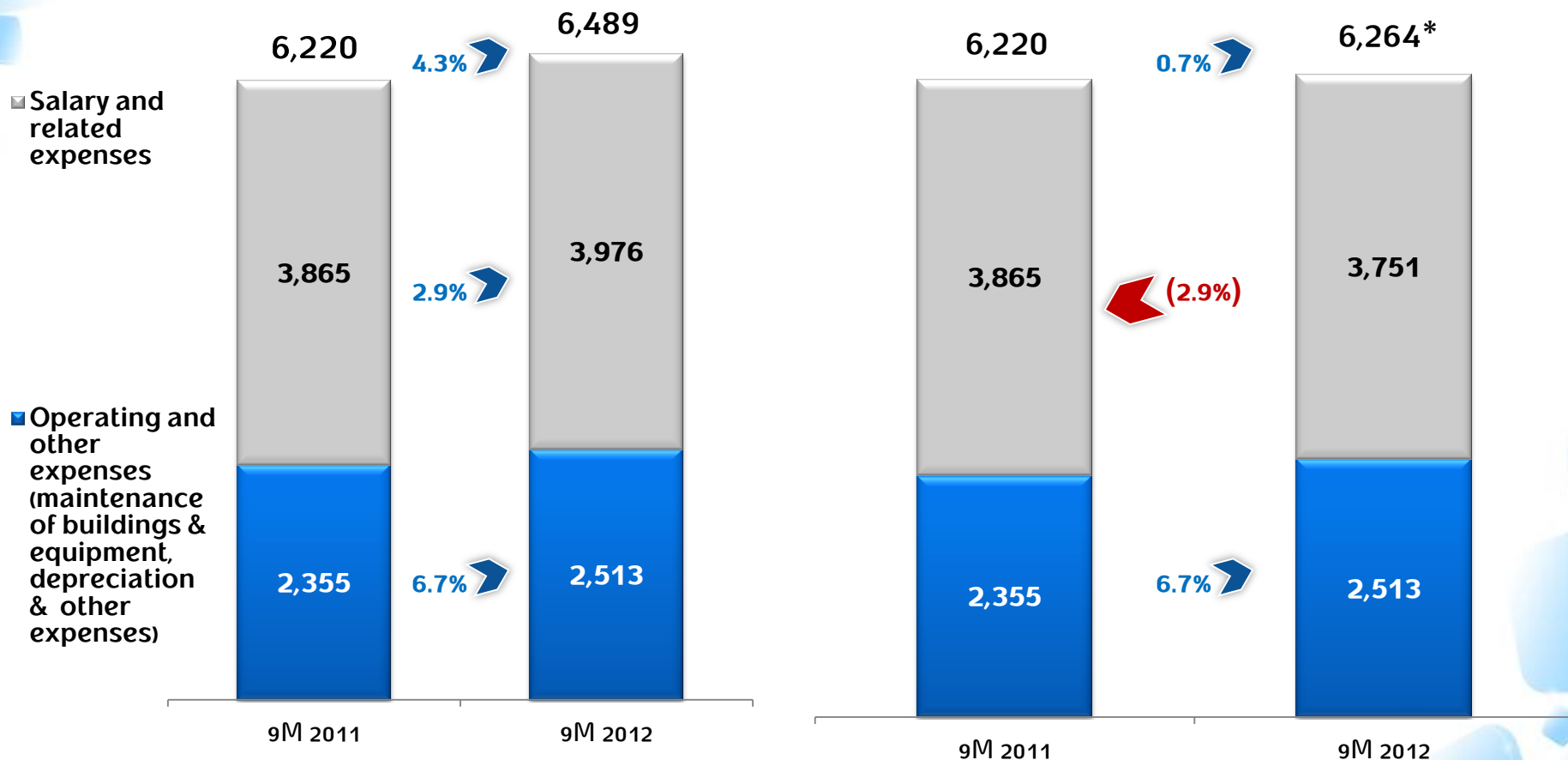
Non-interest financing income

NIS millions



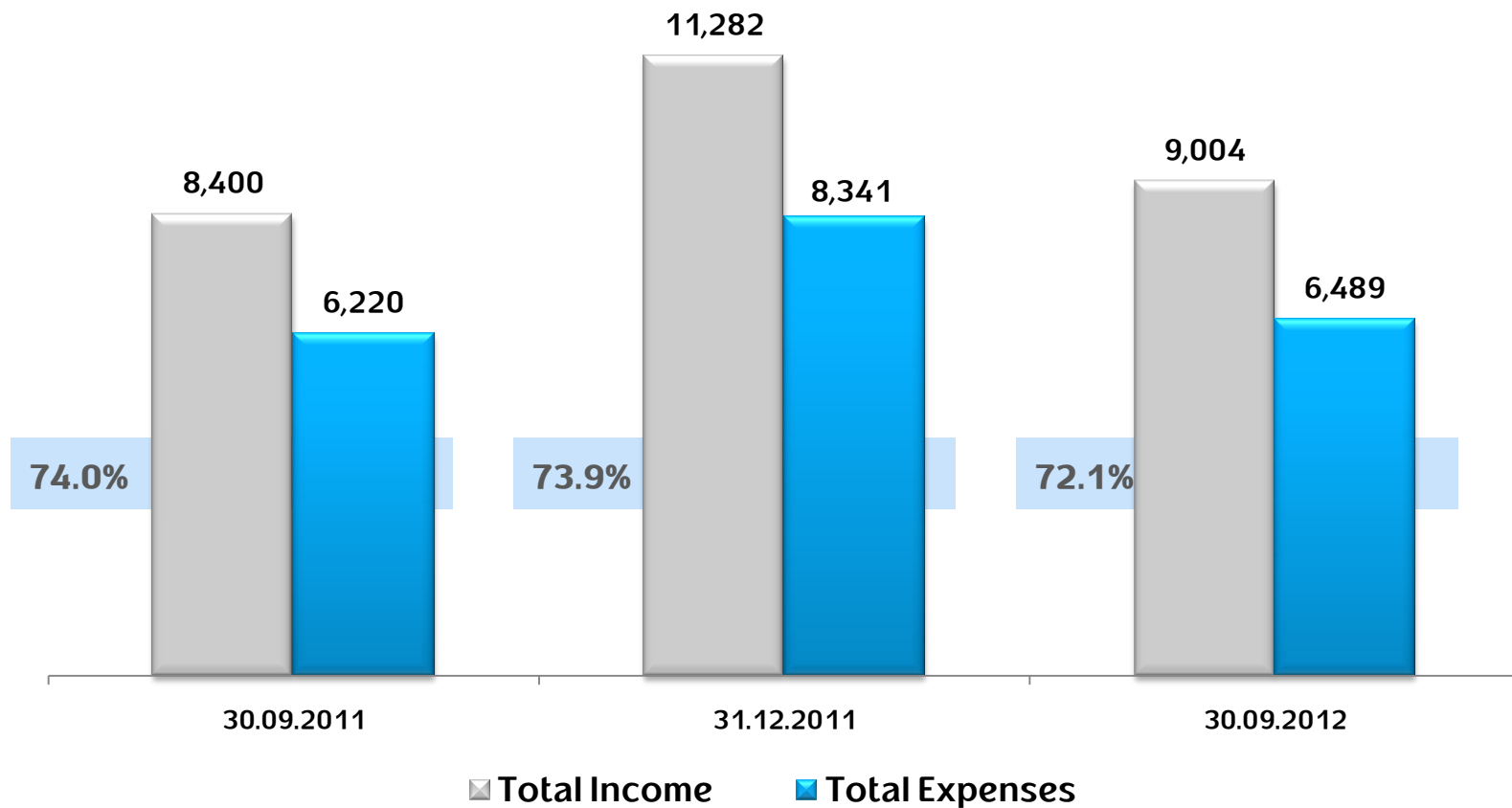
0.7% YoY increase in total operating and other expenses (after neutralizing special provisions*)

NIS millions



Cost/Income Ratio on a positive track

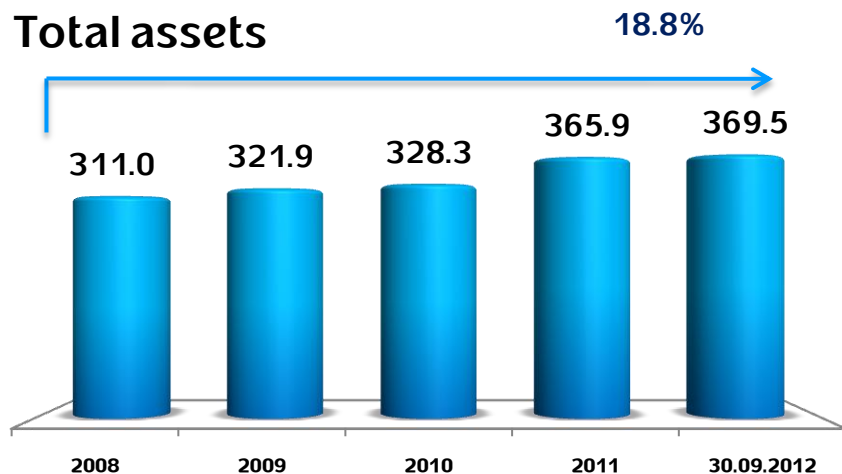
NIS millions



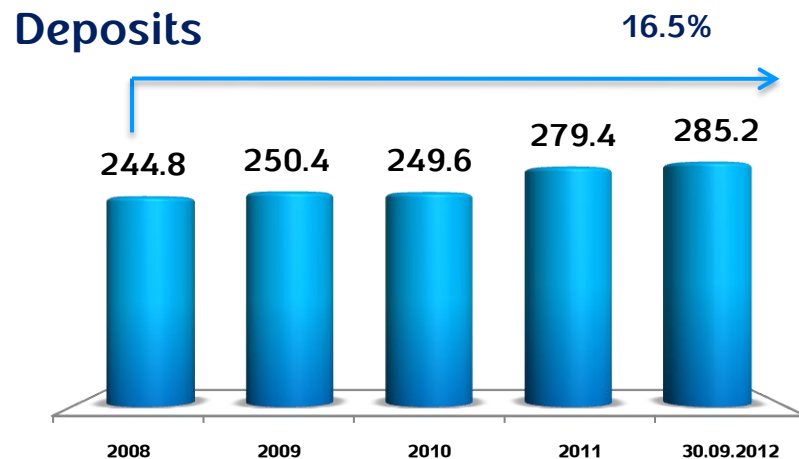
Sustained balance and off-balance sheet growth

NIS billions

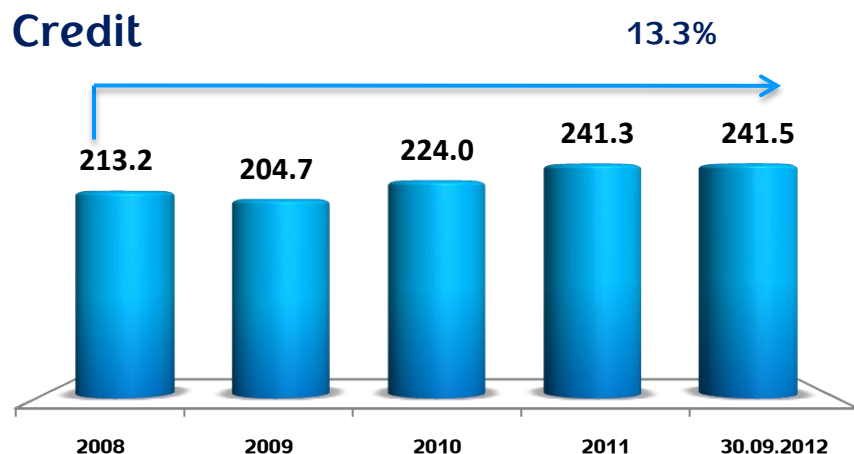
Total assets



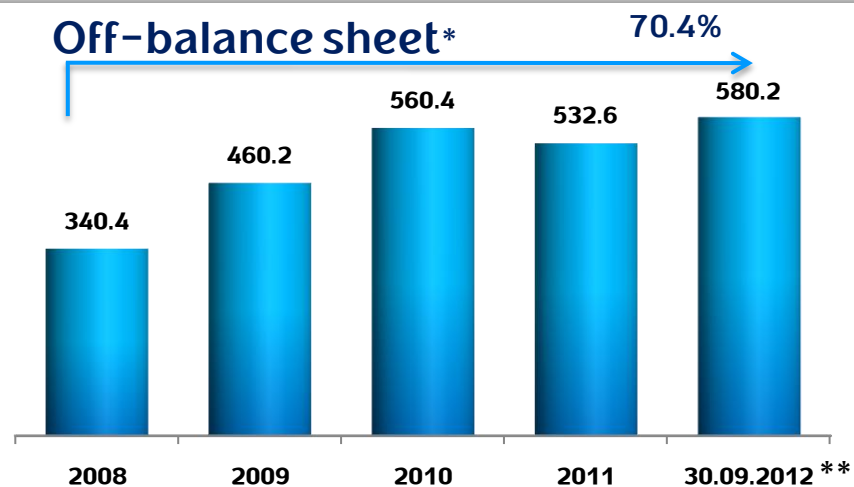
Deposits



Credit



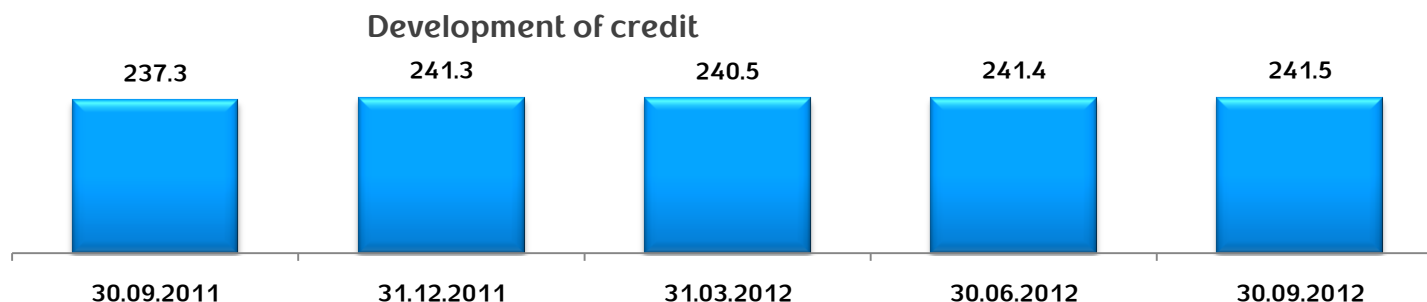
Off-balance sheet*



* Financial assets managed by Leumi Group **Increase mainly reflects initial merger with Banque Safdie

Development of credit and credit concentration

NIS billions



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

	30.09.2011	31.12.2011	31.03.2012	30.06.2012	30.09.2012
Groups of borrowers	2	2	2	1	1
% of capital	40.3%	37.2%	35.8%	17.5%	17.3%

**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)**

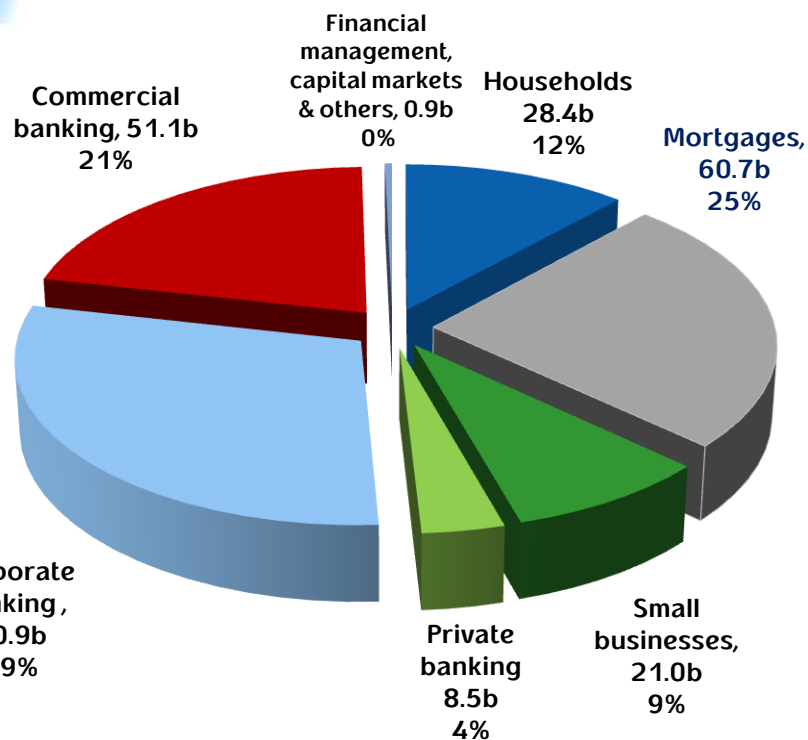
	30.09.2011	31.12.2011	31.03.2012	30.06.2012	30.09.2012
	40.3%	48.1%	36.0%	29.9%	27.7%

Diversified credit portfolio

In NIS billions, %

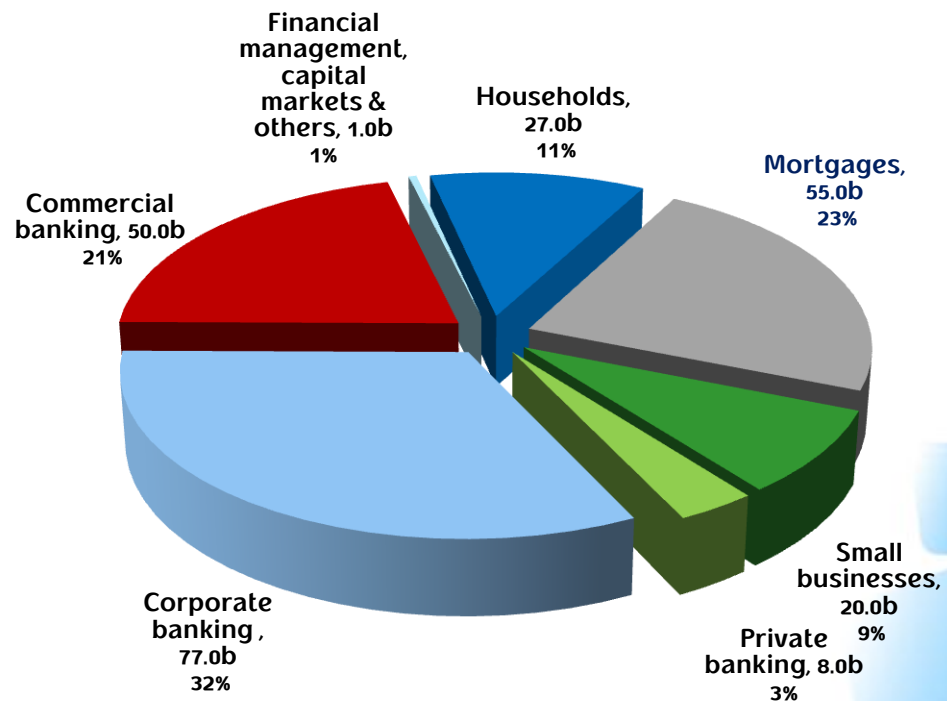
Composition of loan portfolio

30.09.2012



Retail: 49%
Corporate: 51%

30.09.2011

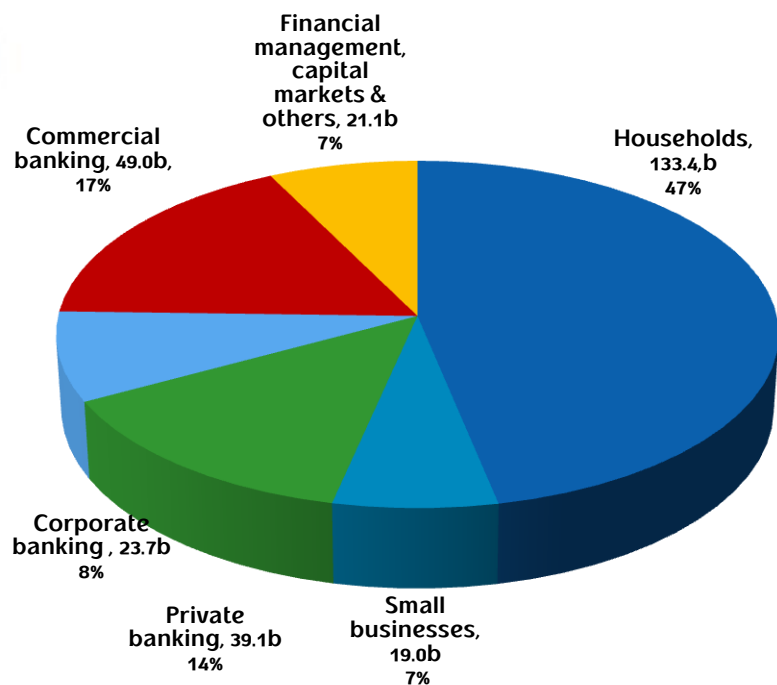


Retail: 46%
Corporate: 54%

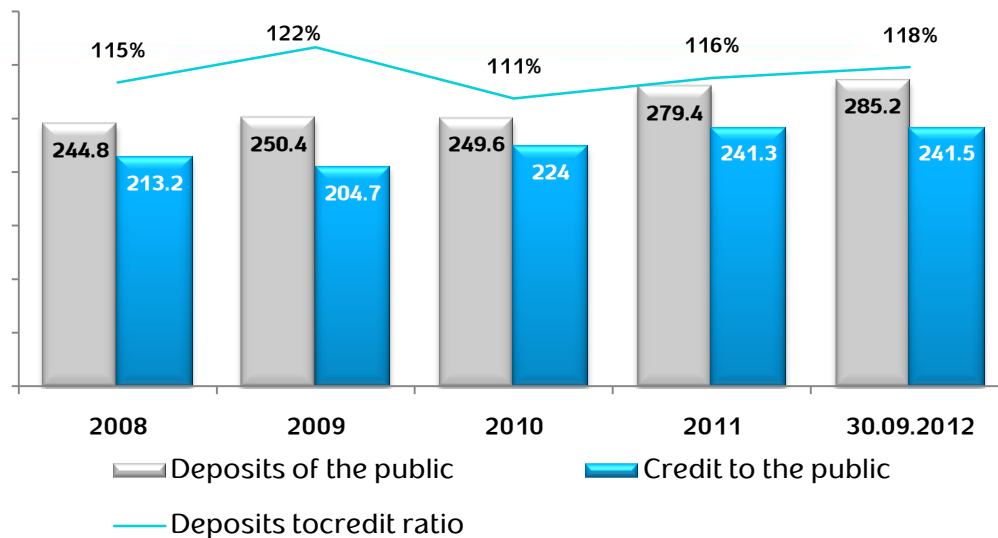
Deposits

NIS billions, %

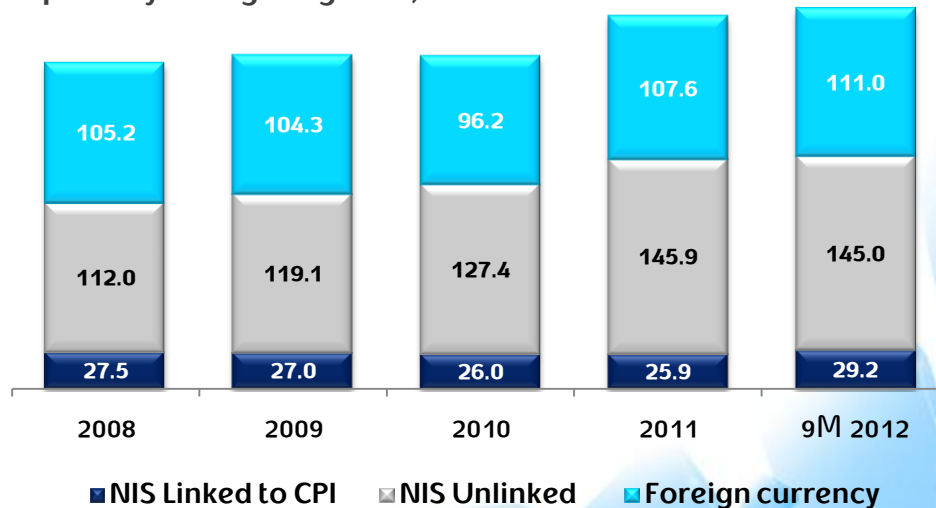
Deposits of the public by principal operating segment



Deposits to Credits, in NIS billions, %

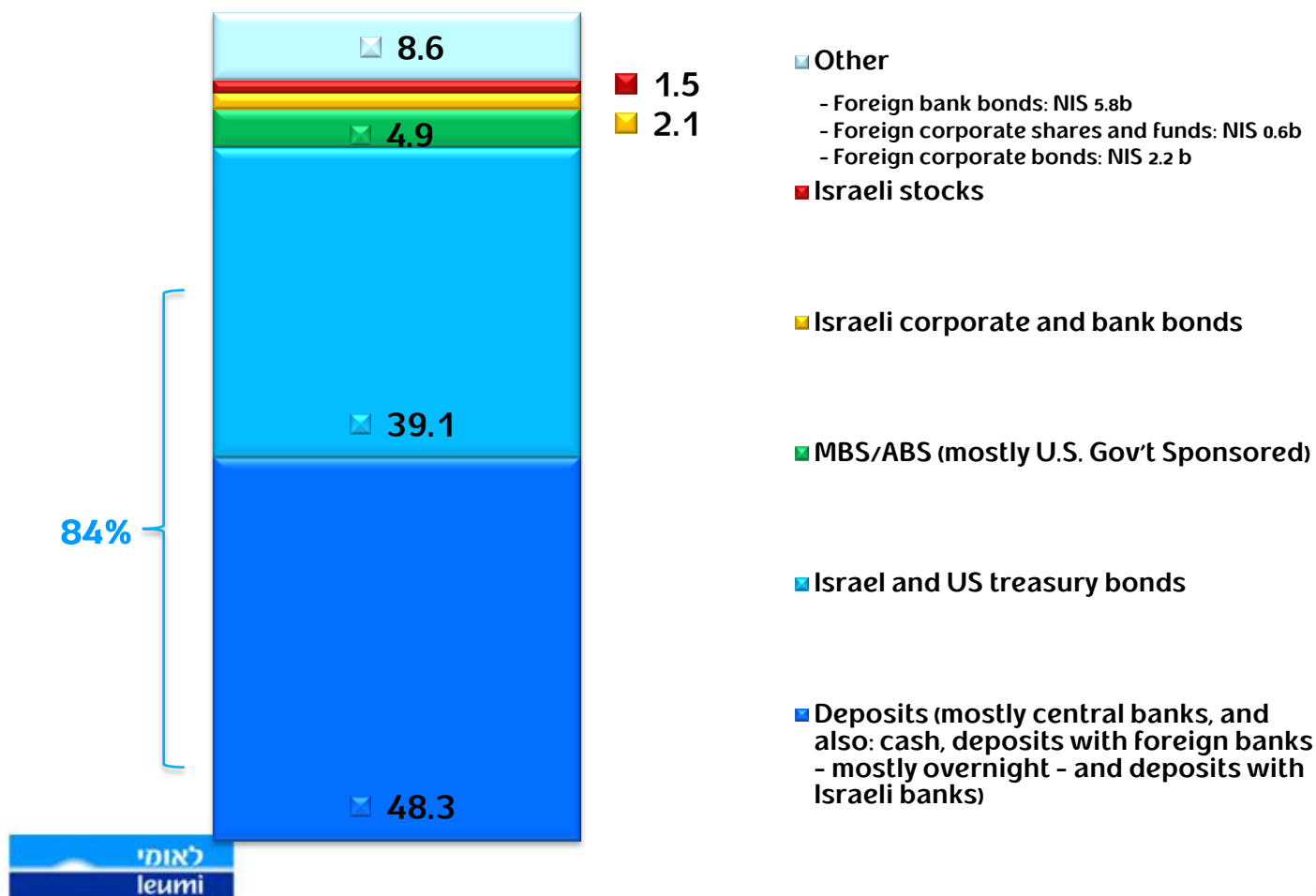


Deposit by linkage segment, in NIS billions



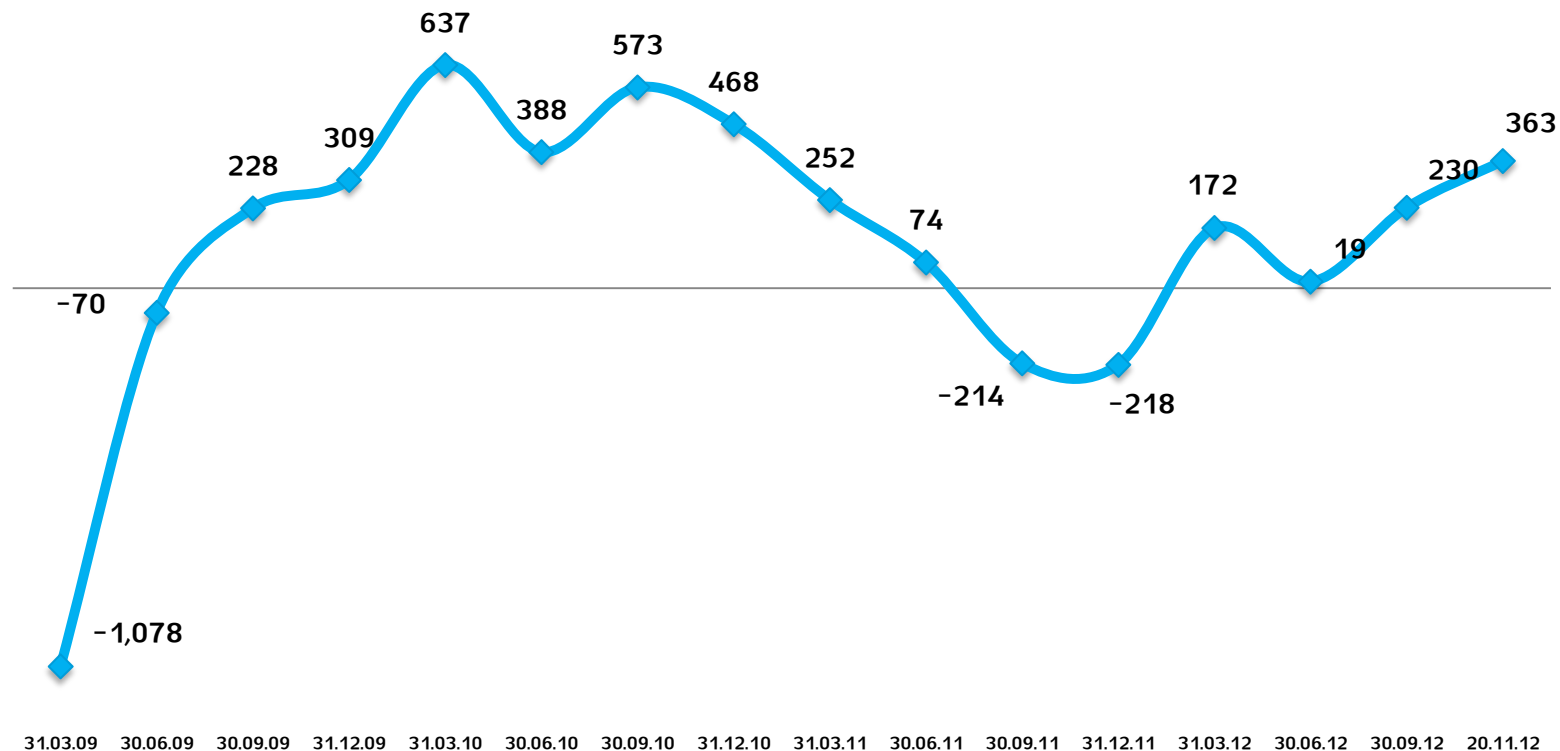
84% of nostro investments in Israel & US gov't bonds and deposits

NIS 104.5 billion nostro portfolio, 30.9.12



Other Comprehensive Income*

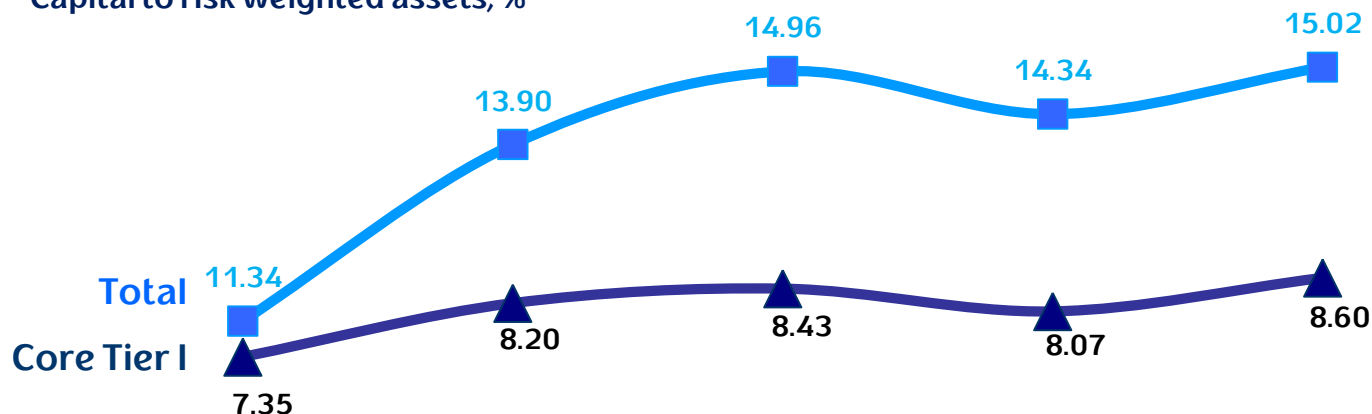
NIS millions



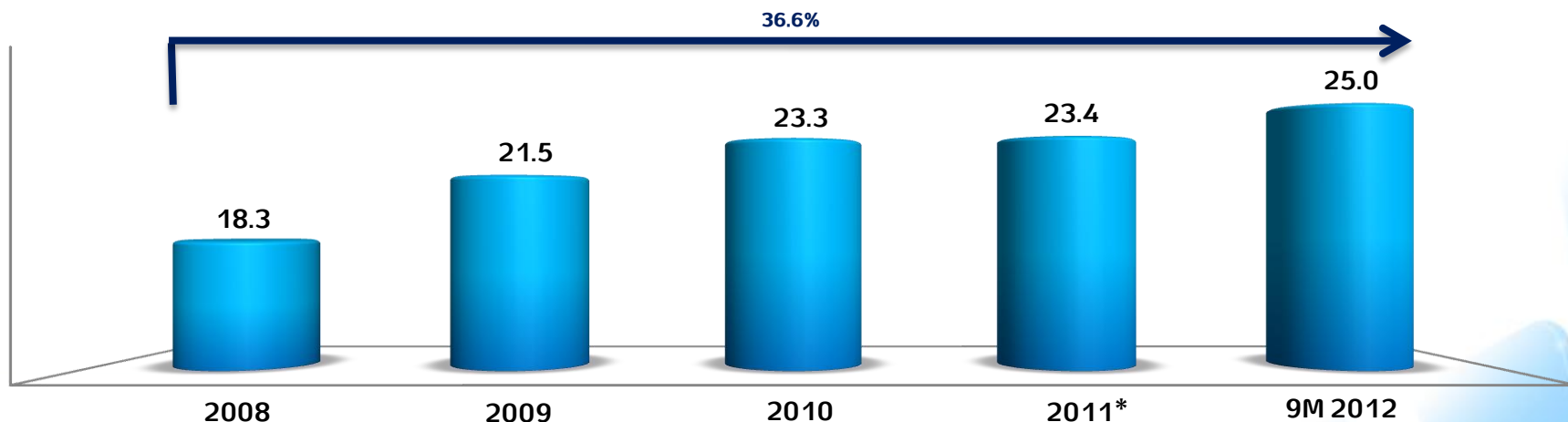
* Net balances in capital (net adjustments in respect of available-for-sale securities)

Capital: positioned to meet regulatory requirements

Capital to risk weighted assets, %



Capital development, NIS billions



*The increase in capital mainly derives from the profit for the year, which was partially offset by implementation of new directives (NIS 721m), a decrease in the value of the available-for-sale securities portfolio (NIS 686m) and a dividend distribution (NIS 400m).

Key takeaways

- Improving profitability
- Cost to income on a positive track
- Continuous growth of asset base
- High quality and diversified credit portfolio
- Focused growth on high ROE / low consuming capital businesses
- Low leverage and high liquidity
- Strong capital position

Thank you.

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