

# Leumi Group

Q3 2013

Earnings Review

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# Israeli economy

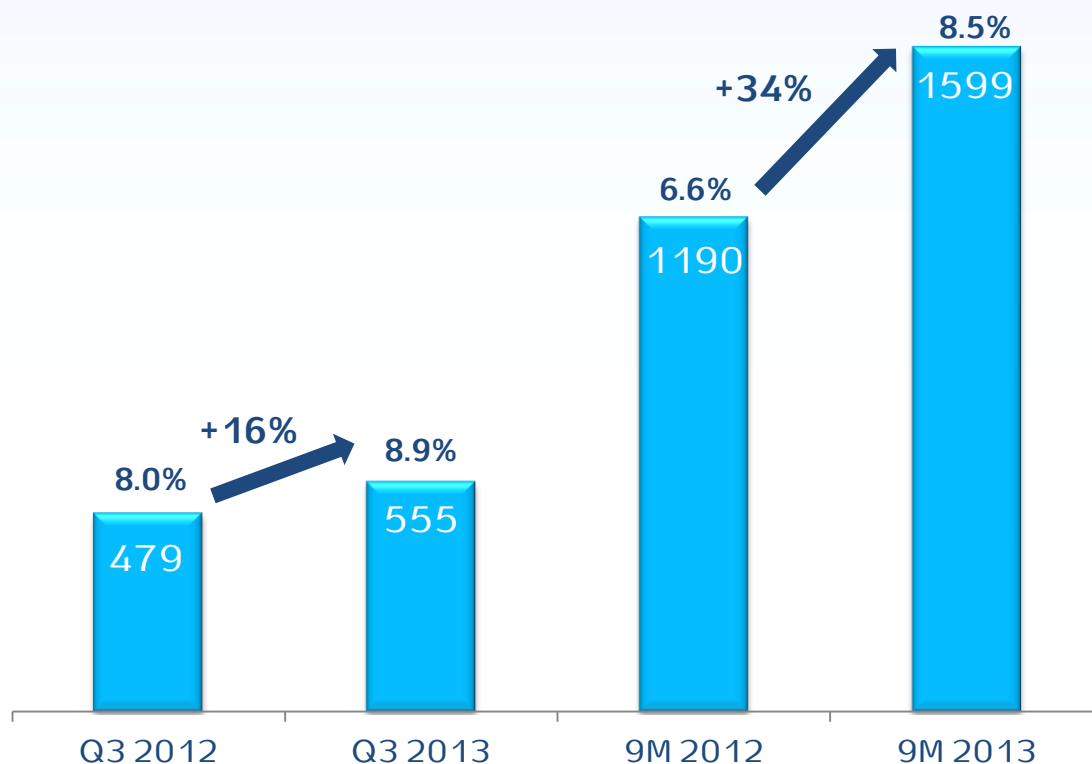
- Unemployment declined in 2013. Not expected to rise substantially in 2014
- Better than expected fiscal performance in 2013: debt/GDP ratio holding steady at 67%
- Gradual increase of current account surplus
- Recovery of fixed asset investment expected for 2014 and onwards
- Inflation expected to remain low

Main Macroeconomic Variables	2012*	2013**	2014**
Annual Rates of Change, Real Terms			
GDP	3.4%	3.4%	3.1%
GDP net of technical impact of gas inclusion	-	2.4%	2.4%
Percentage of GDP			
Current account surplus(+)/deficit (-)	0.3%	1.0%	1.3%
Government budget surplus (+)/deficit (-)	-4.2%	-3.4%	-2.9%
Government debt	67.0%	67.0%	67.0%
Annual Average			
Unemployment rate	6.7%	6.6%	7.3%
Additional Data			
Consumer price index, year-end change	1.6%	2.0%	1.6%
Shekel / US\$ average exchange rate	3.86	3.61	3.55
Bank of Israel average interest rate	2.35%	1.39%	0.94%

\*Source: Central Bureau of Statistics \*\*Leumi forecast

# Net profit and RoE

NIS millions



## Increase in 9M net profit explained mainly by:

- Increase in non-interest income NIS 717m
- Decrease in credit loss expenses NIS 737m

## Above items partially offset by:

- Decrease in net interest income NIS 77m
- Increase in total operating and other expenses, NIS 190m
- Increase in provision for tax NIS 514m
- Decrease in share of profits of associate companies, NIS 260m net after tax

# Financial performance

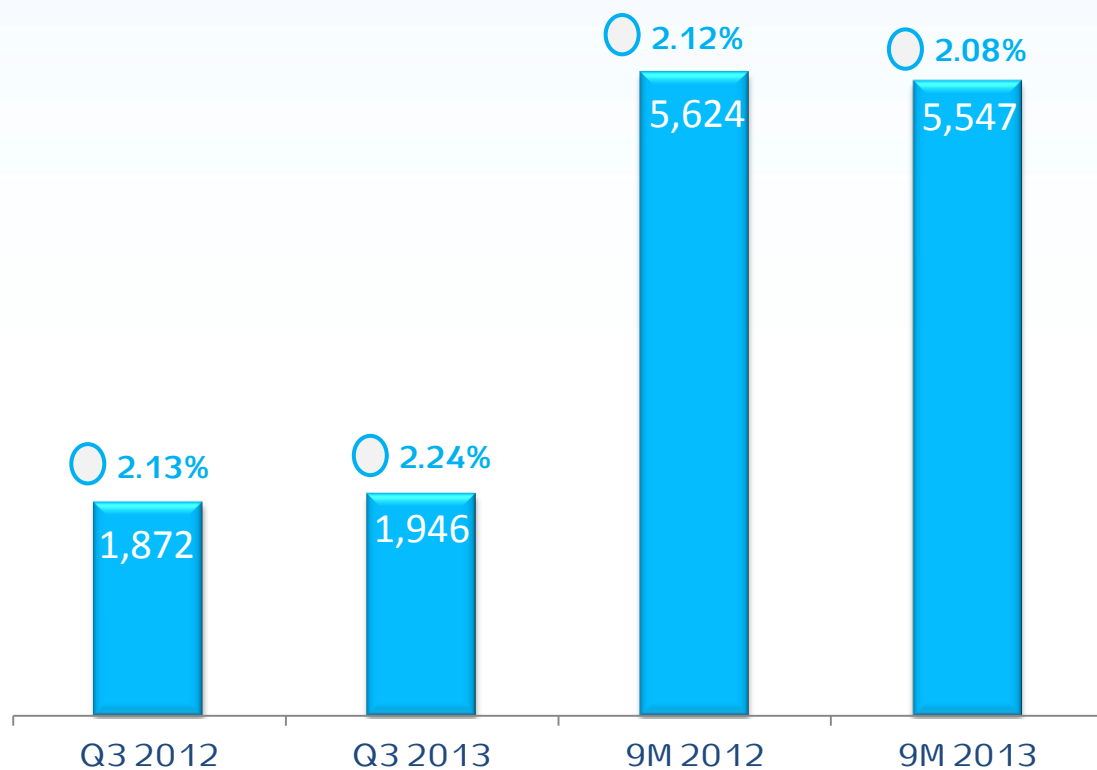
NIS millions

	30.9.2013	30.9.2012	Δ	Δ%
Net Interest income	5,547	5,624	(77)	(1.4)
Non Interest income	4,097	3,380	717	21.2
Total Income	9,644	9,004	640	7.1
Expenses (Income) in respect of credit losses	113	850	(737)	(86.7)
Operating and other expenses	6,679	6,489	190	2.9
Pre-tax profit	2,852	1,665	1,187	71.3
Provision for tax	1,092	578	514	88.9
Profit after tax	1,760	1,087	673	61.9
Share of bank's profits in associated companies	(128)	132	(260)	-
Net profit attributable to non-controlling interests	(33)	(29)	(4)	(13.8)
Net Profit	1,599	1,190	409	34.4

# Net interest income

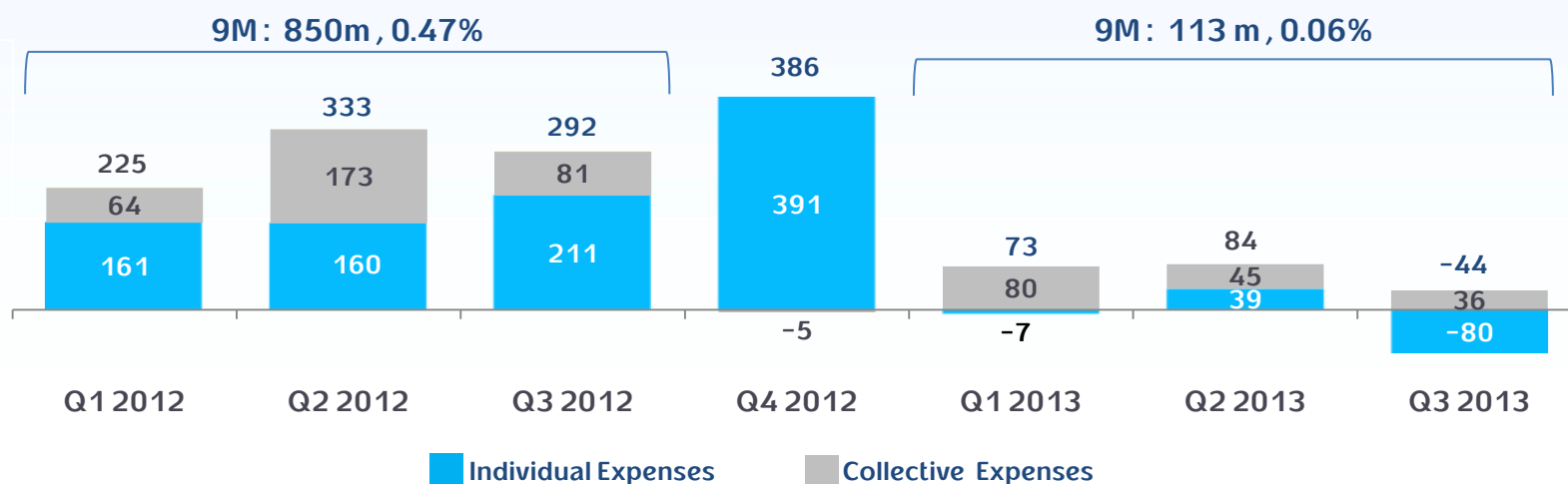
NIS millions

○ Interest margin  
accumulated for the period end



# Expenses for credit losses

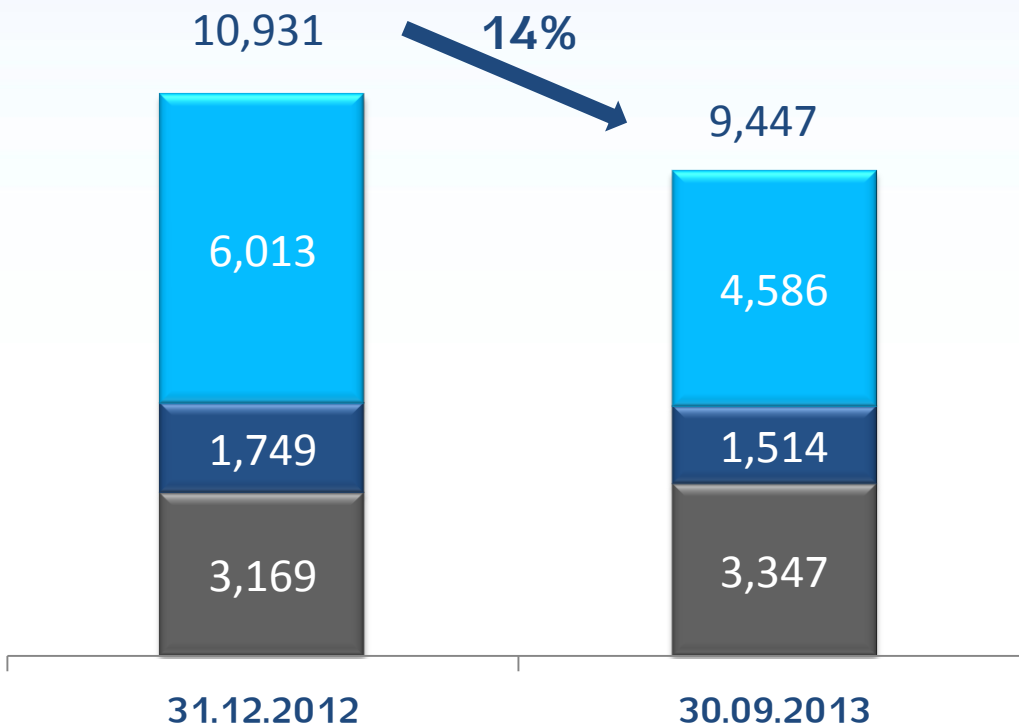
NIS millions



%	2012					2013		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
Individual expenses/total credit to the public	0.26	0.27	0.35	0.65	0.38	(0.01)	0.07	(0.13)
Collective expenses/total credit to the public	0.11	0.29	0.13	(0.01)	0.13	0.13	0.08	0.06
Total expenses/total credit to the public	0.37	0.56	0.48	0.64	0.51	0.12	0.15	(0.07)

# Problem debts

NIS millions



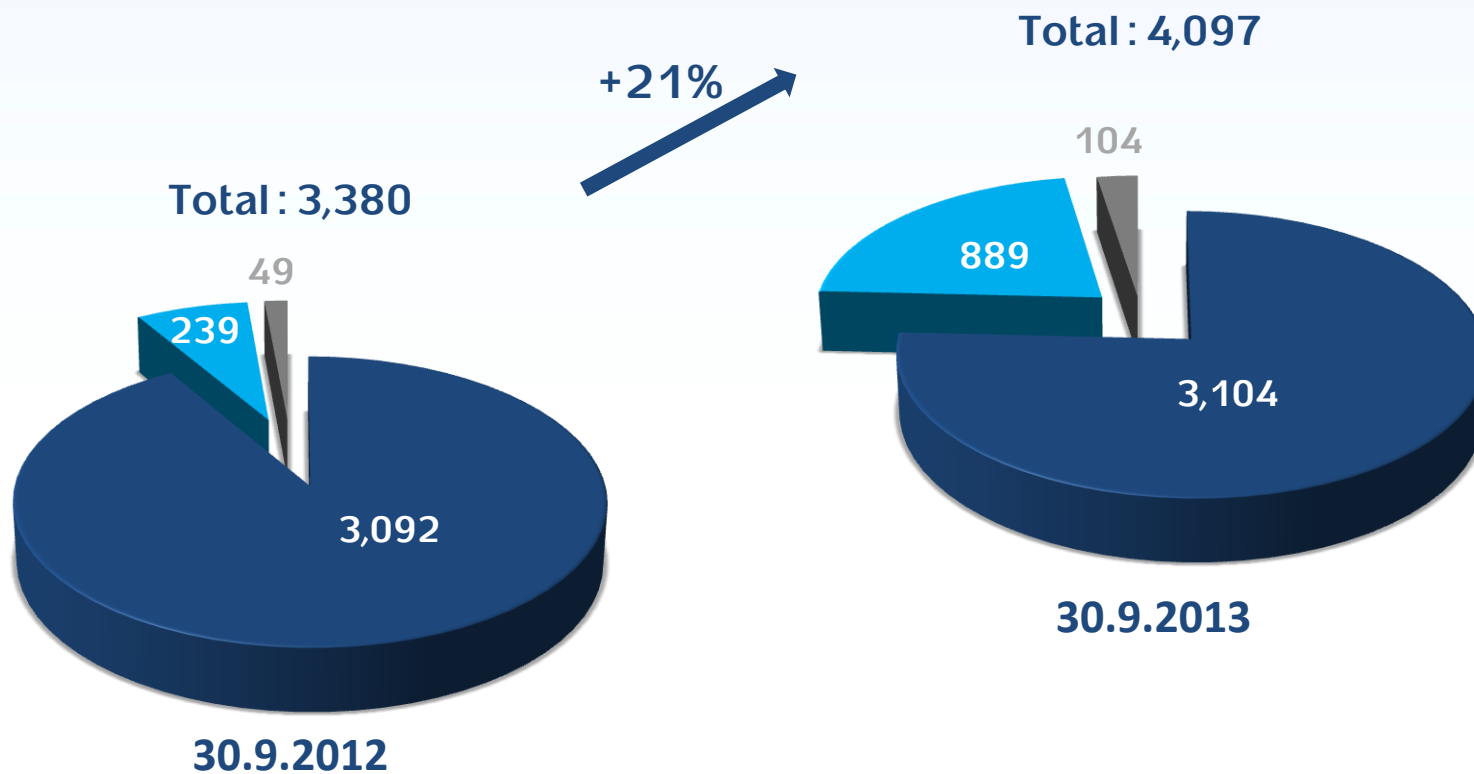
■ Impaired debts

■ Substandard debts

■ Debts under special mention

# Non-interest income

NIS millions

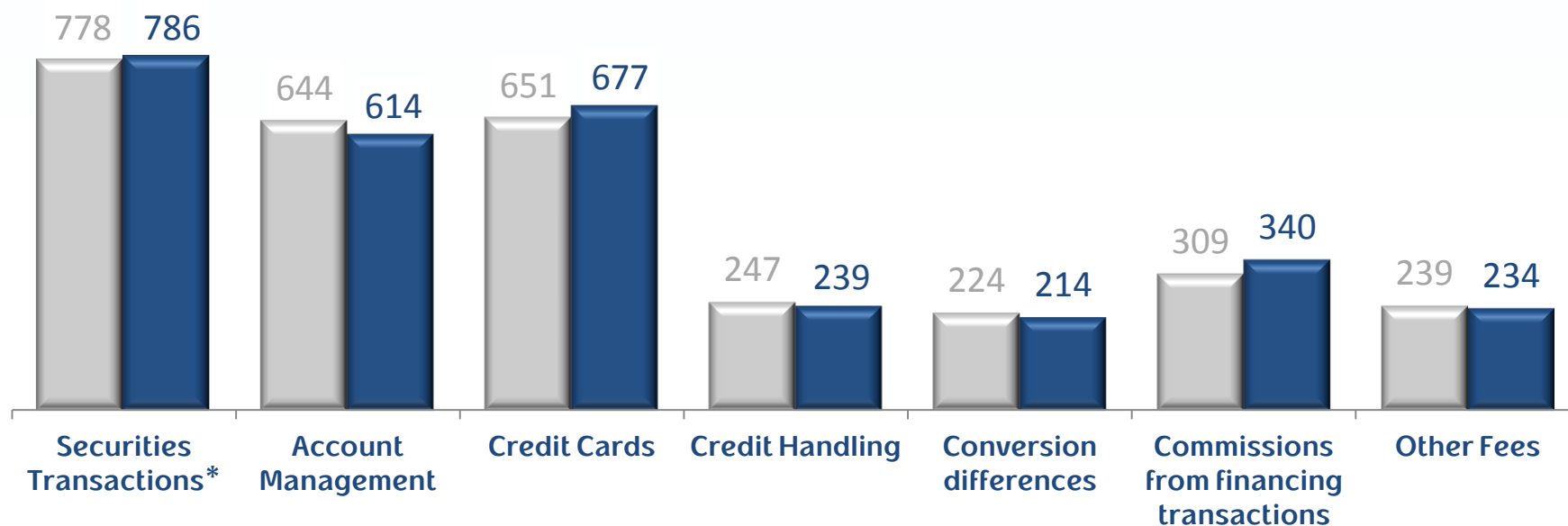


# Commission revenue stable and diverse

NIS millions

Total 30.09.2012: 3,092

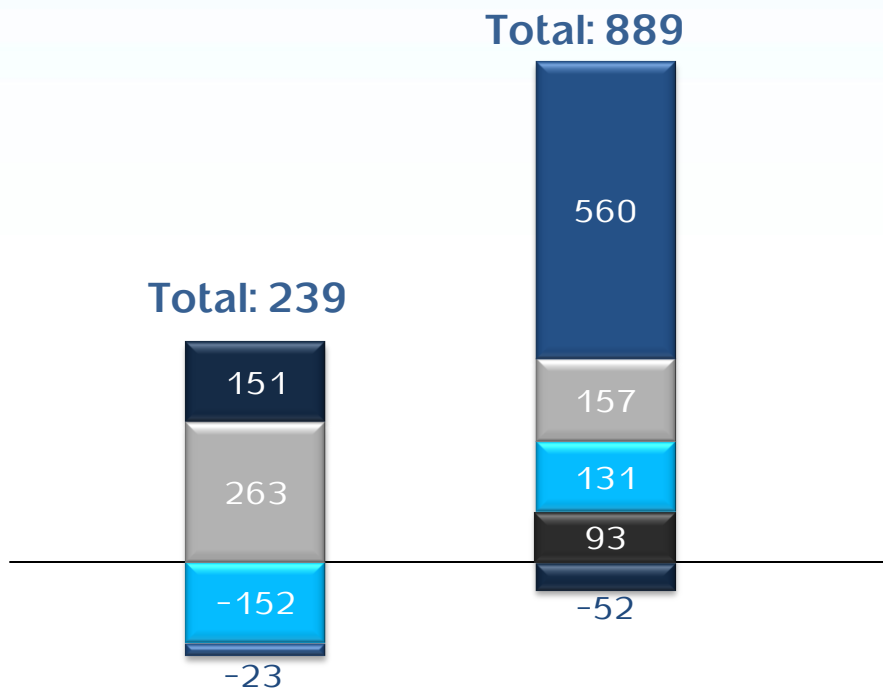
Total 30.09.2013: 3,104



\*Includes financial product distribution commissions

# Non-interest financing income

NIS millions



Profits (losses) from investments in shares, including dividends

Net profits from sale of available for sale bonds

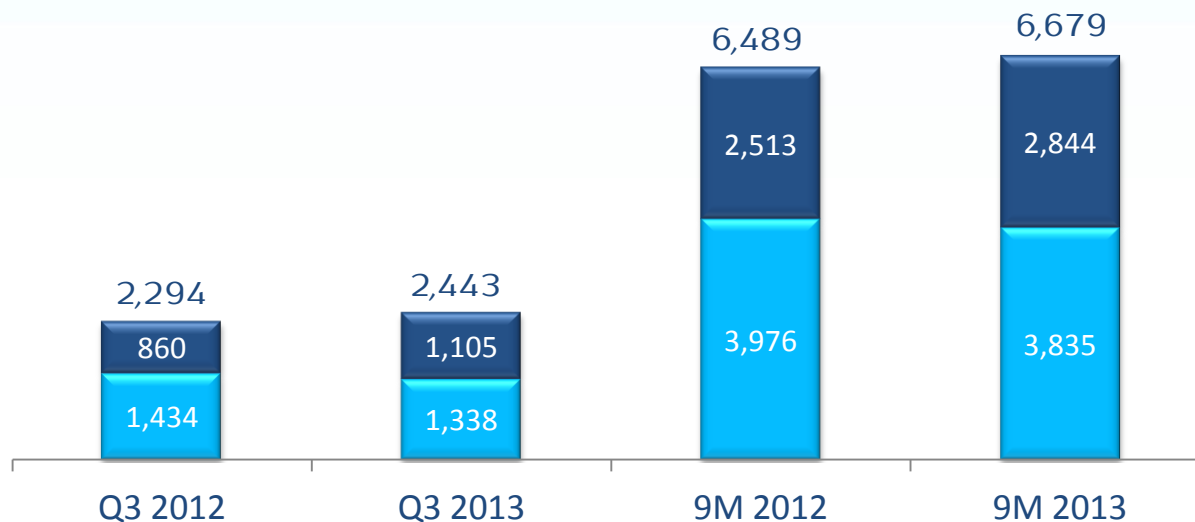
Net income in respect of derivatives and exchange rate differentials, net

Net profits in respect of loans sold

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

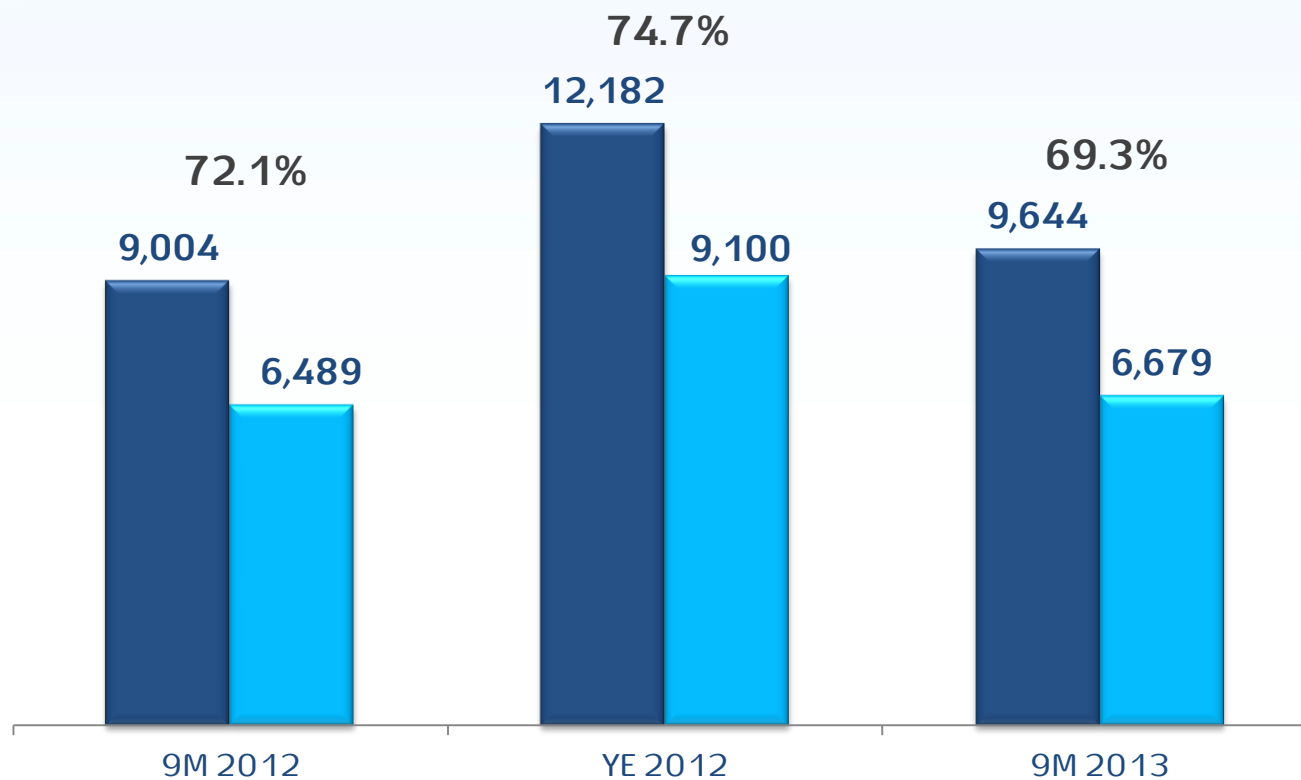


■ Maintenance of buildings & equipment, depreciation & other expenses

■ Salary and related expenses

# Cost/Income Ratio

NIS millions



■ Total Income

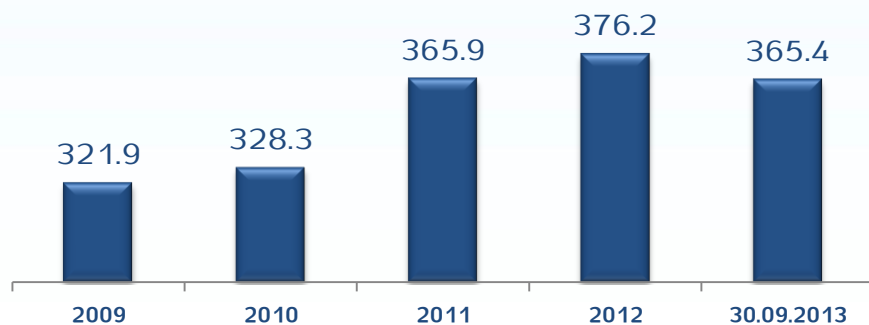
■ Total Operating & Other Expenses

# Development of assets and liabilities

NIS billions

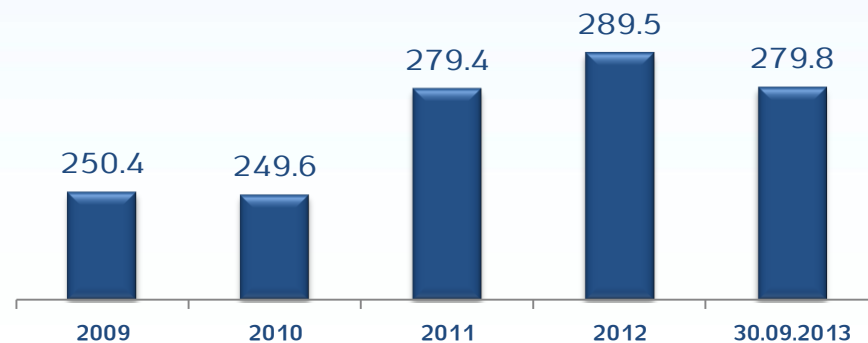
## Total assets

13.5%



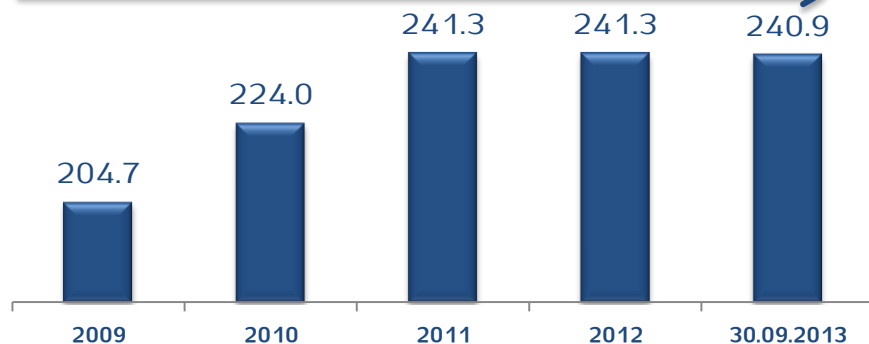
## Deposits

11.8%



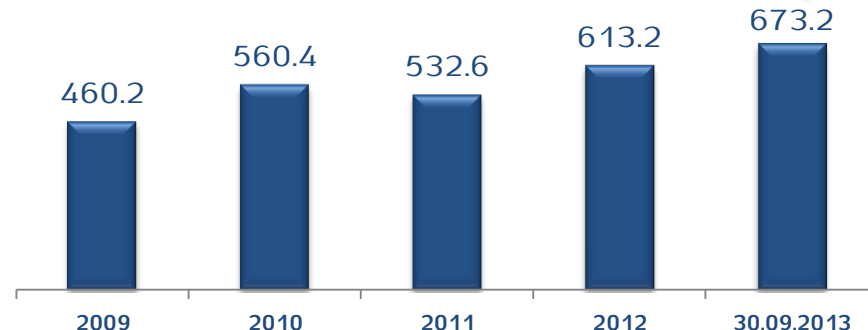
## Credit

17.7%



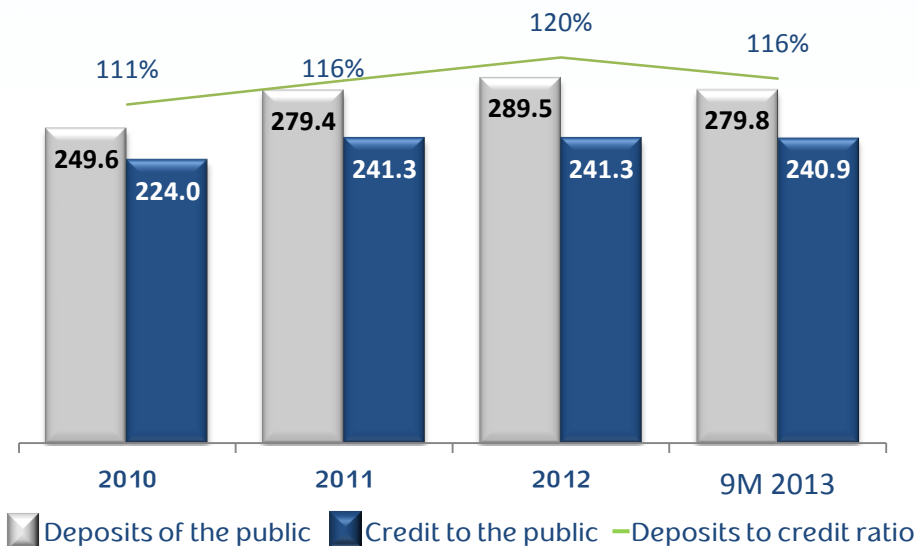
## Off-balance sheet

46.3%

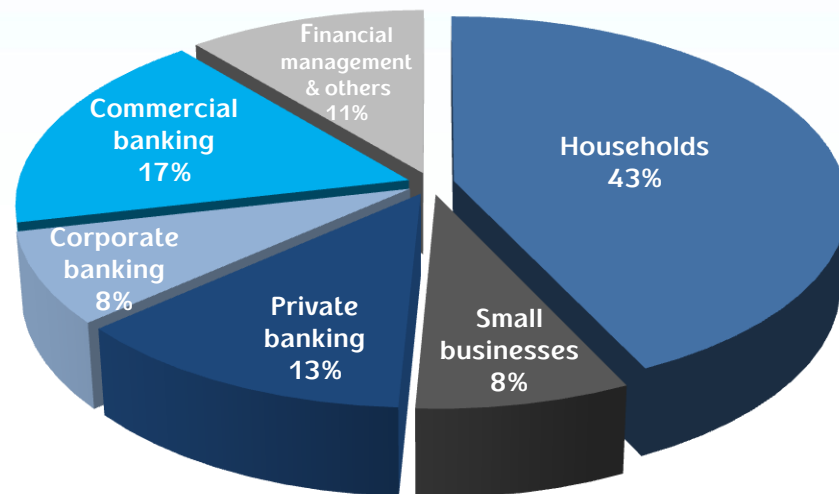


# Deposits

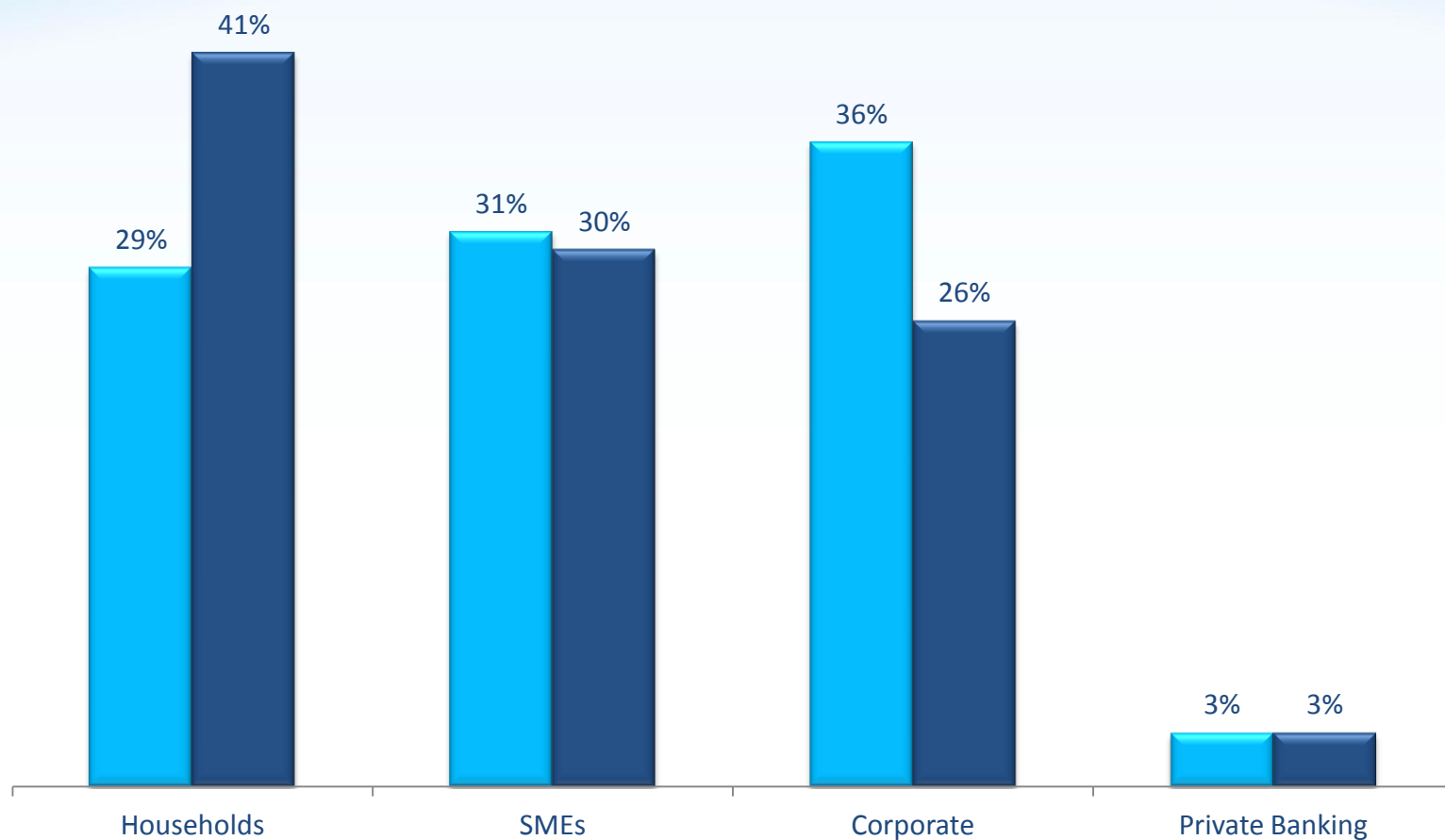
Deposits to Credits, NIS billions



Deposits of the public by principal operating segment



# Diverse credit portfolio



# 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	30.09.2013
Groups of borrowers	2	1	0
% of capital	37.6%	18.0%	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)

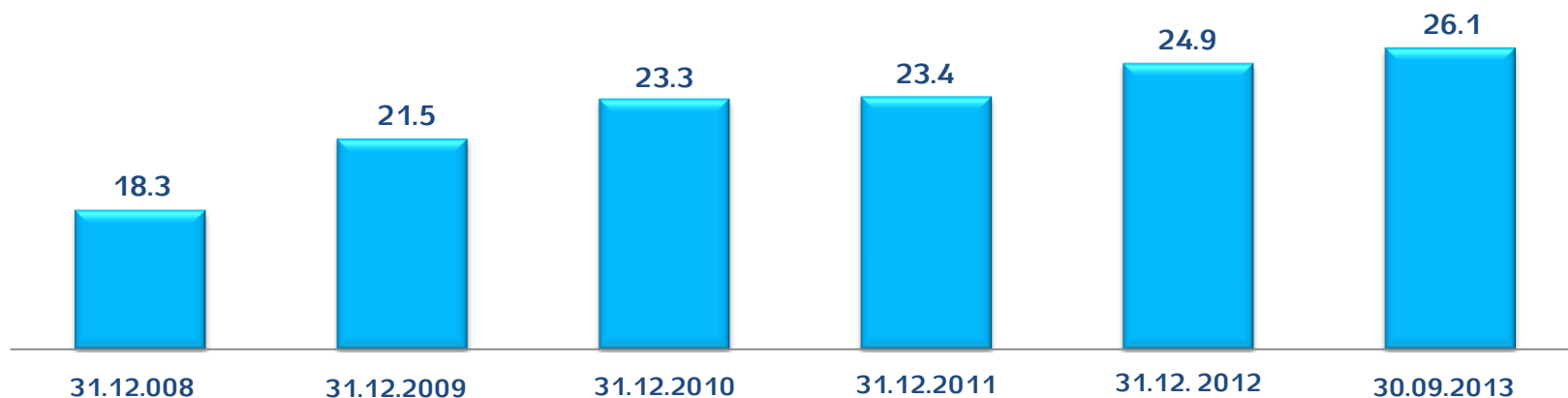
	31.12.2011	31.12.2012	30.09.2013
% of capital	48.1%	18.0 %	14.5%

# 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: 66% of total assets
- deposits: 77% of total assets

## High quality credit portfolio

- lower exposure to large borrower groups
- conservative credit policy and a strict underwriting policy
- NPL for 9M: 2.3% of total credit

## Strong liquidity

- in comparison to local and international peers
- lending funded mostly by retail deposits
- loans/deposits : 86%

## Leader in IT services for customers

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

# Thank you

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