

# Leumi Group



Nine months 2011 Earnings Review

This document 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 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 statements, which are based on the Bank’s current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in this presentation due to a variety of factors. More information about these factors is detailed in the Bank’s filings with the securities authorities.

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

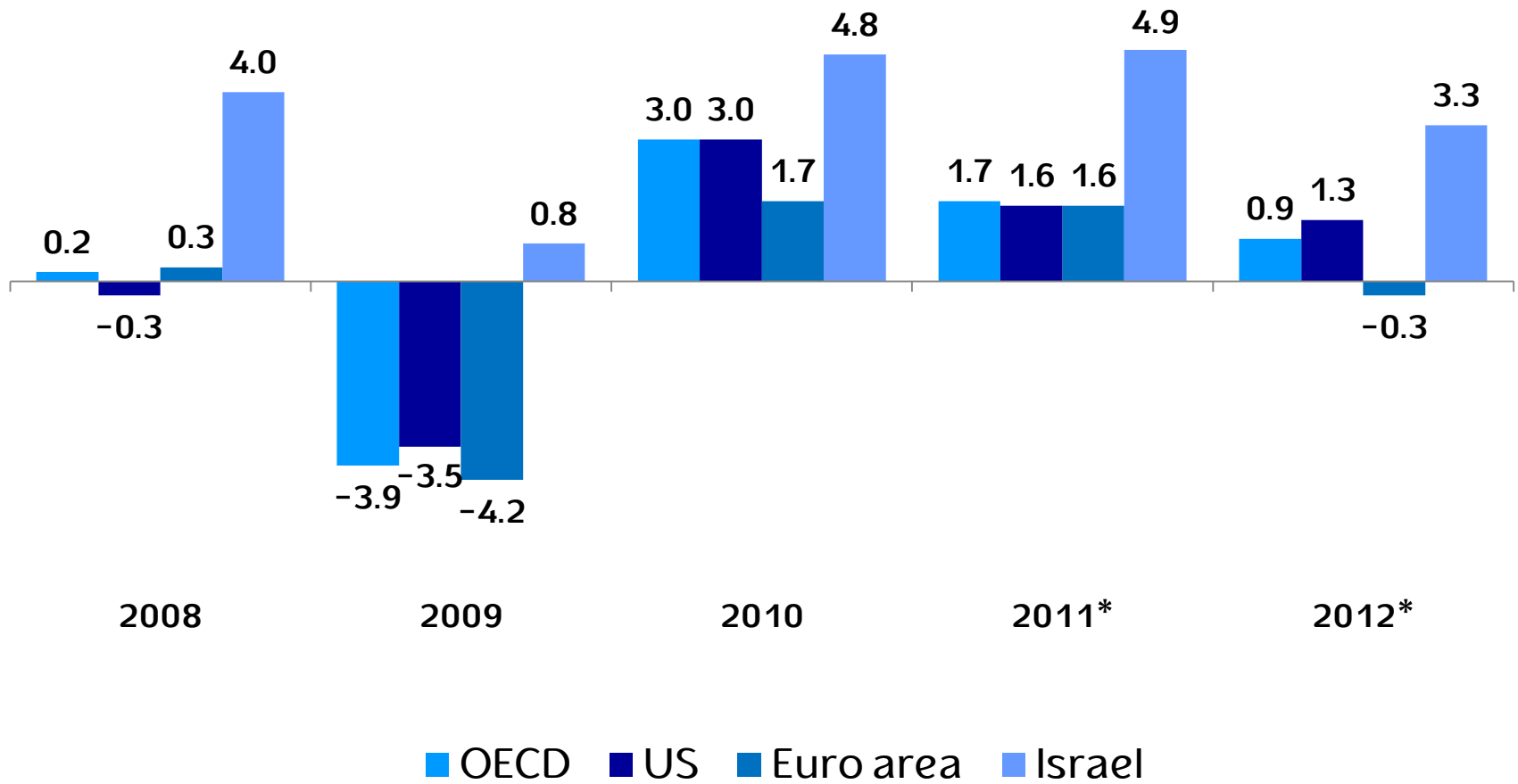
# The Israeli Economy: Withstanding adverse global financial factors

Main Macroeconomic Variables	2010	2011*	2012*
<b>Annual Rates of Change, Real Terms</b>			
GDP	4.8%	4.9%	3.3%
Gross product of the business sector	5.8%	5.4%	3.6%
Private consumption	5.3%	4.8%	3.3%
Public consumption	2.5%	3.3%	2.9%
Investment in fixed assets	13.6%	16.5%	3.4%
Exports of goods and services	13.4%	5.1%	3.9%
Imports of goods and services	12.6%	12.1%	4.9%
<b>Percentage of GDP</b>			
Current account surplus(+)/deficit (-)	3.1%	-0.9%	-1.3%
Government budget surplus (+)/deficit (-)	-3.7%	-3.0%	-3.4%
Government debt	75.0%	73.0%	74.0%
<b>Annual Average</b>			
Unemployment rate	6.6%	5.9%	5.9%
<b>Additional Data</b>			
Consumer price index, year-end change	2.7%	2.7%	2.1%
Shekel / US\$ average exchange rate	3.73	3.59	3.70
Bank of Israel average interest rate	1.6%	2.9%	2.9%

\*Leumi forecast

# Israel: Strong GDP growth

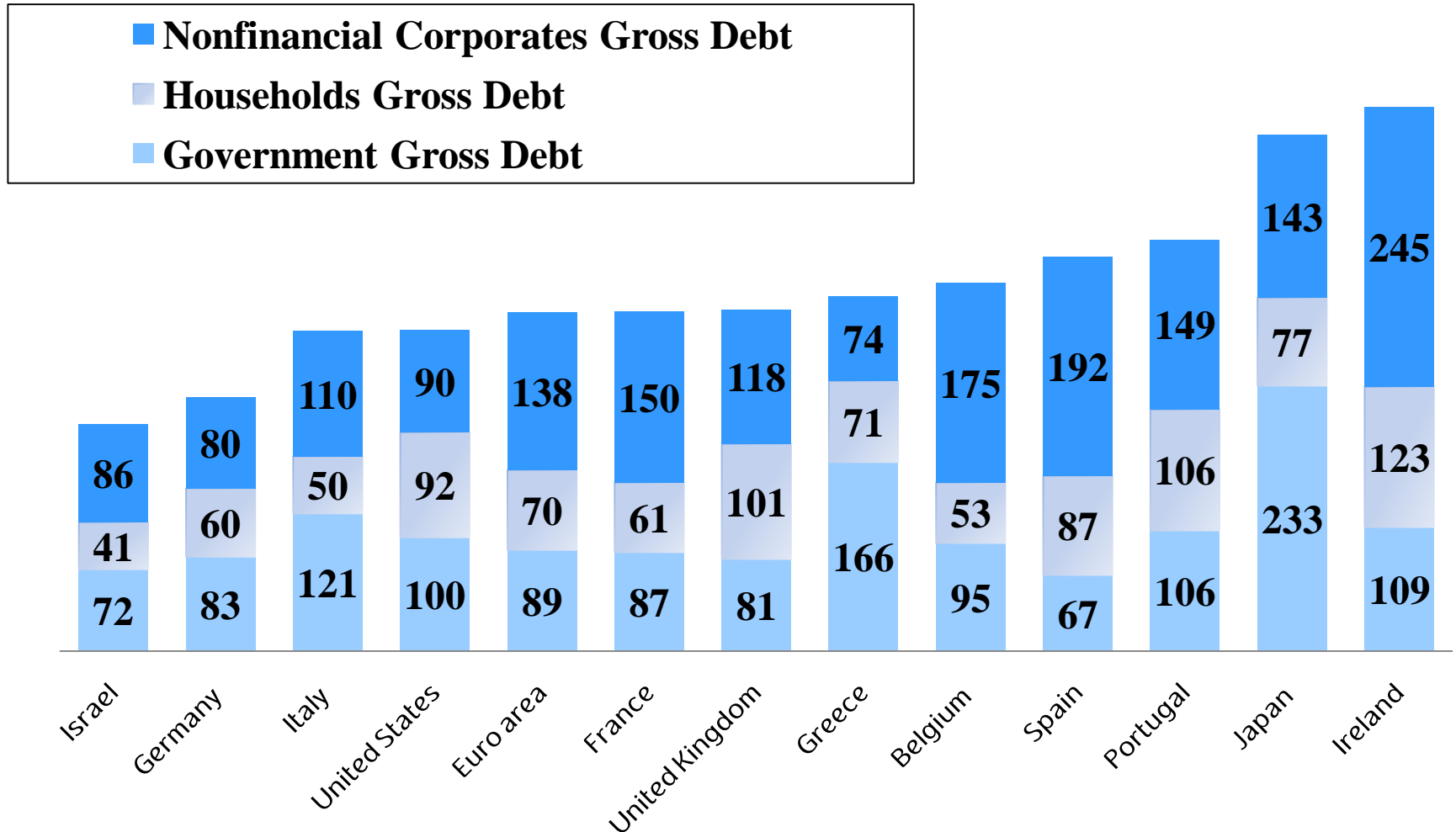
GDP growth, %



Source: Central Bureau of Statistics (CBS), OECD, Bank Leumi

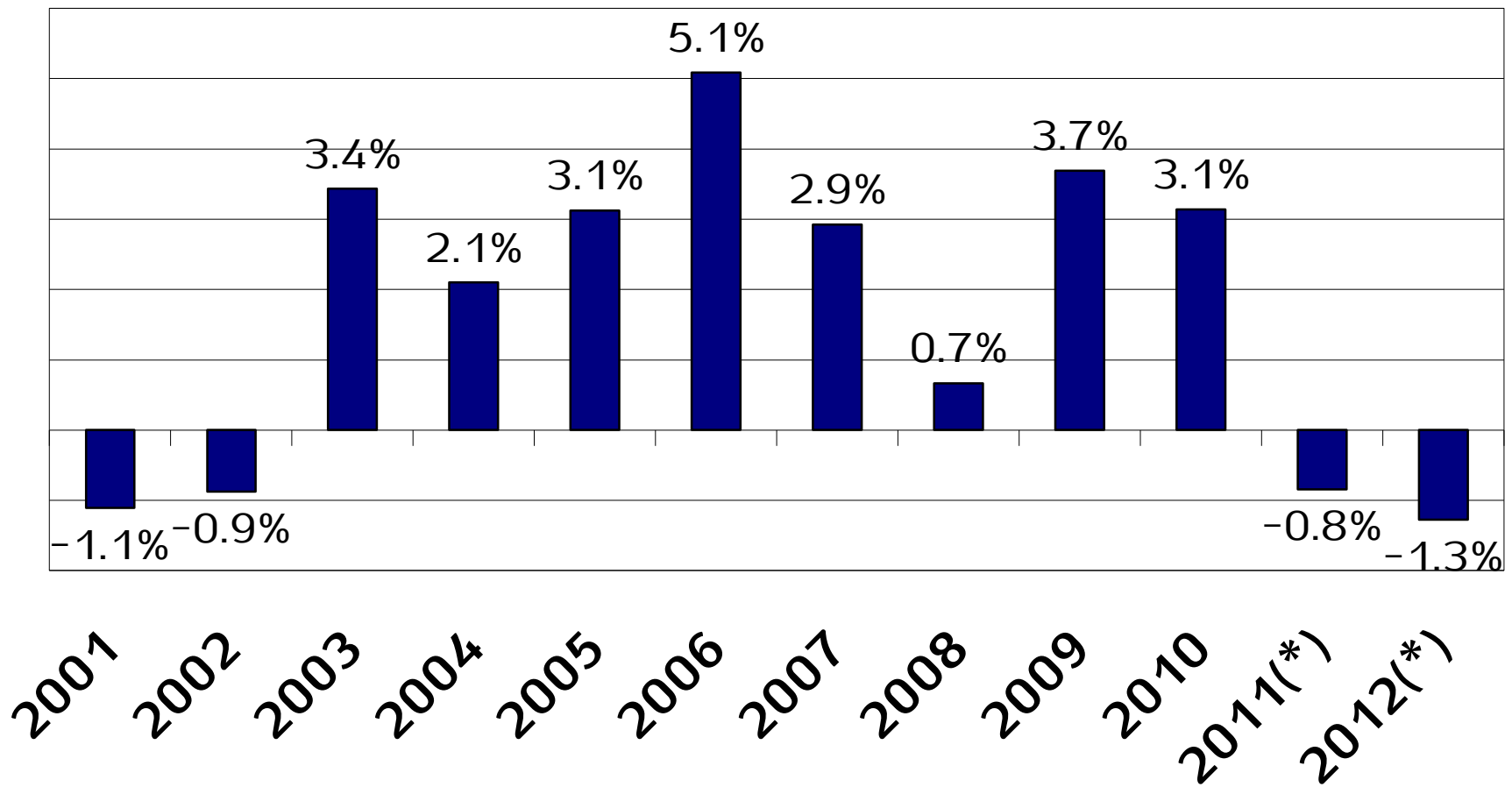
\*Leumi's forecast: 2011-2012

# Total Debt by Sector, % of GDP



Source: IMF, Bank of Israel (BoI), Bank Leumi

# The current account deficit(-)/surplus(+) as a % of GDP



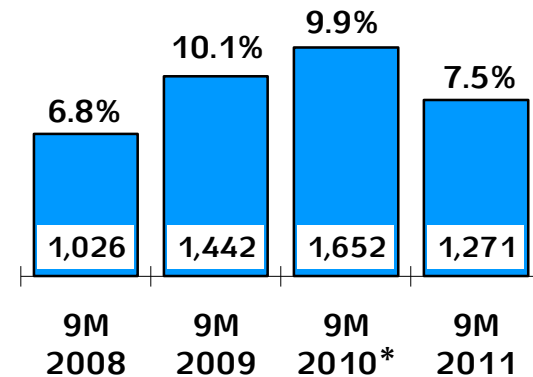
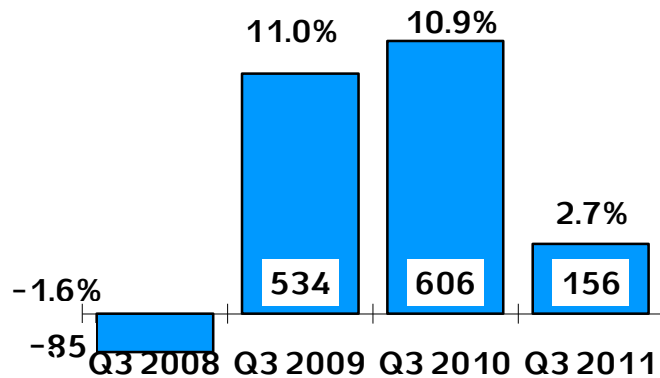
Source: CBS

\*Leumi's forecast: 2011-2012

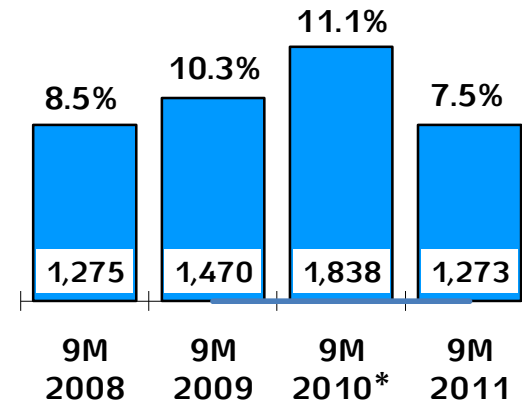
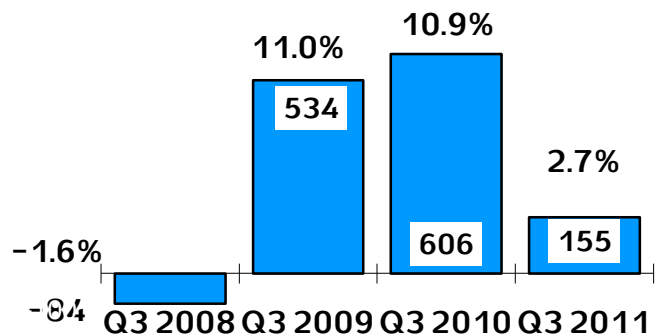
# Q3 profitability impacted by sharp declines in capital markets

NIS millions

## Net Operating Profit & RoE



## Net Profit & RoE



\*9M 2010 includes extraordinary profit in respect of the sale of the Bank's holdings in Paz Oil Company Ltd.

# Financial performance

NIS millions

## P&L Highlights

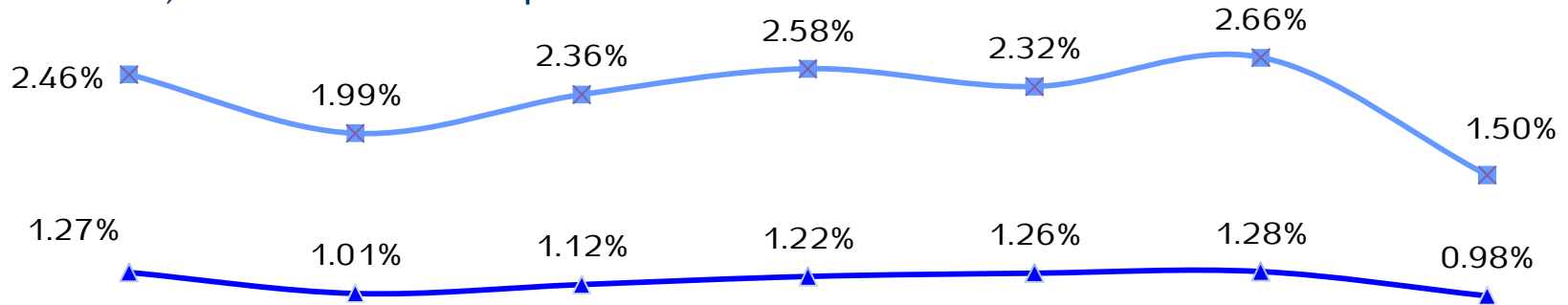
	3M Ending 9.30.11	3M Ending 9.30.10	Δ%	9M ending 9.30.11	9M Ending 9.30.10	Δ%
Net interest income before expenses for credit losses*	1,692	1,846	(8.3)	5,582	5,292	5.5
Operating and other income	832	983	(15.4)	2,821	3,021	(6.6)
<b>Total Income</b>	<b>2,524</b>	<b>2,892</b>	<b>(12.7)</b>	<b>8,403</b>	<b>8,313</b>	<b>1.1</b>
Expenses for credit losses*	378	46	+	349	372	(6.2)
Operating and other expenses	2,062	1,805	14.2	6,225	5,656	10.1
Companies included on the equity basis	115	57	+	145	259	(44.0)
<b>Operating profit</b>	<b>156</b>	<b>606</b>	<b>(74.3)</b>	<b>1,271</b>	<b>1,652</b>	<b>(23.1)</b>
<b>Net profit</b>	<b>155</b>	<b>606</b>	<b>(74.4)</b>	<b>1,273</b>	<b>1,838</b>	<b>(30.7)</b>

\*As of Jan. 1, 2011 collection of interest in respect of impaired debts were first recorded in the expenses for credit losses, whereas in the past they were included in net interest income.



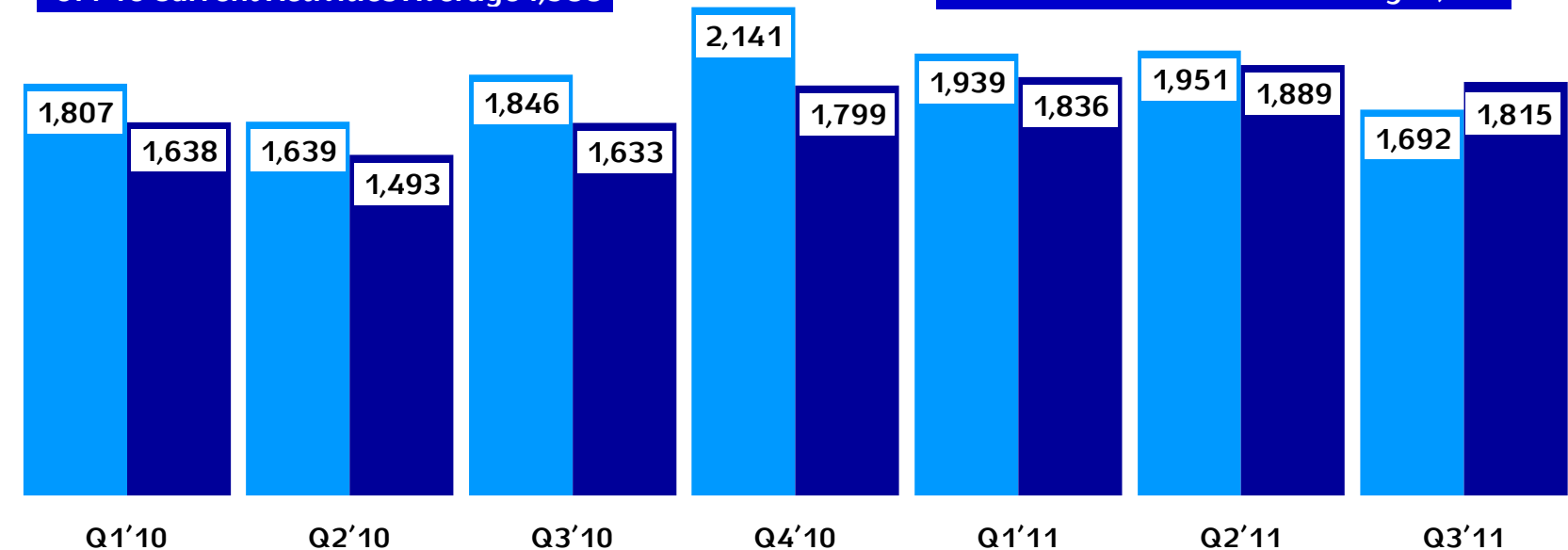
# Net interest income: 16.3% increase in current activities

NIS millions; accumulated for the period end



9M'10 Current Activities Average 1,588

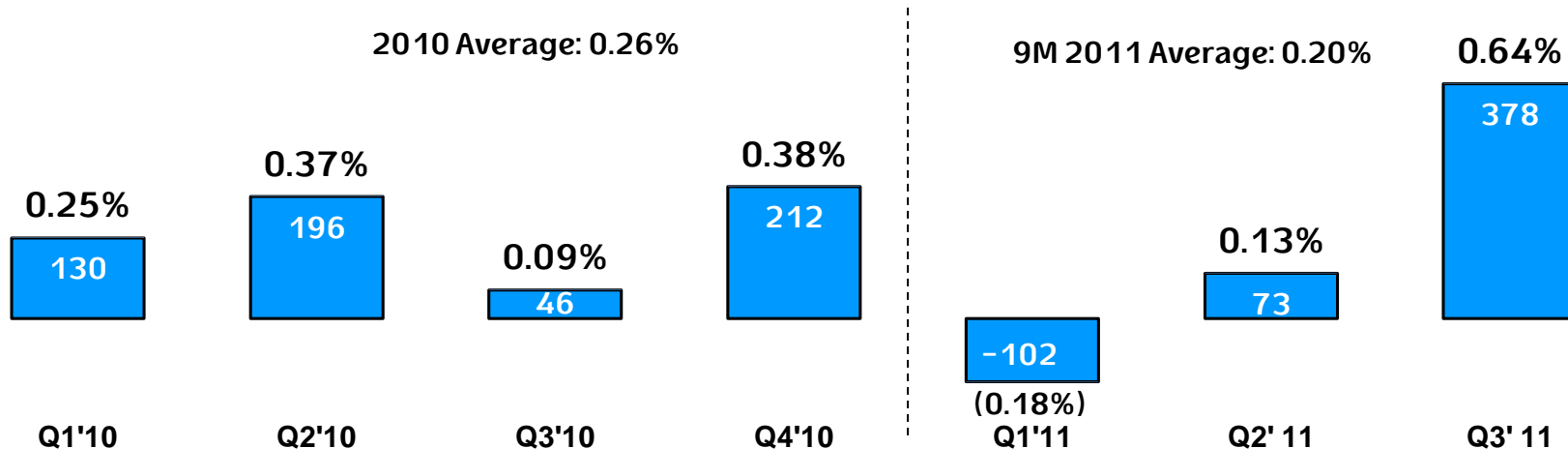
9M'11 Current Activities Average 1,846



■ Net Interest Income     
 ■ Current Activities  
▲ Interest Margin including the effect of derivatives     
 ✕ Interest Margin excluding the effect of derivatives

# Expenses for credit losses (Provision for doubtful debts)

NIS millions



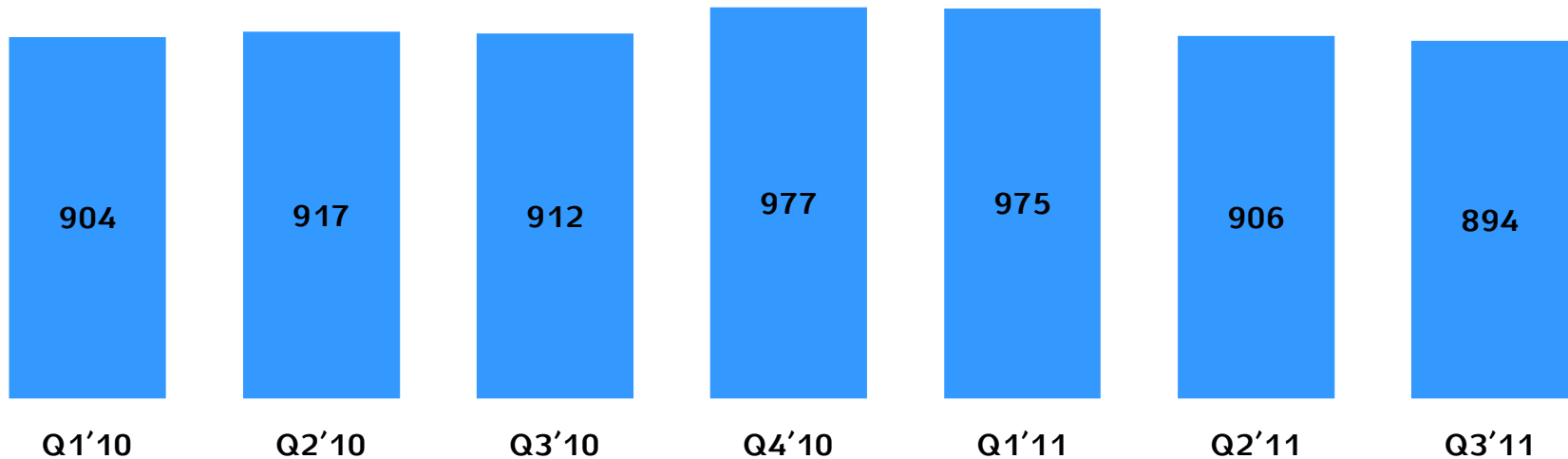
NIS millions	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11*	Q2'11*	Q3'11*
Individual expenses	159	244	63	248	(61)	24	241
Rate of individual expenses/total credit to the public	0.31%	0.46%	0.12%	0.44%	-0.11%	0.04%	0.41%
Group expenses (additional in 2010)	(29)	(48)	(17)	(36)	(41)	49	137
Total	130	196	46	212	(102)	73	378

Effective January 1, 2011 as per the directive on the measurement and disclosure of impaired debts, credit risk and credit loss allowance

# Total operating and other income: YoY mainly impacted by capital market activities

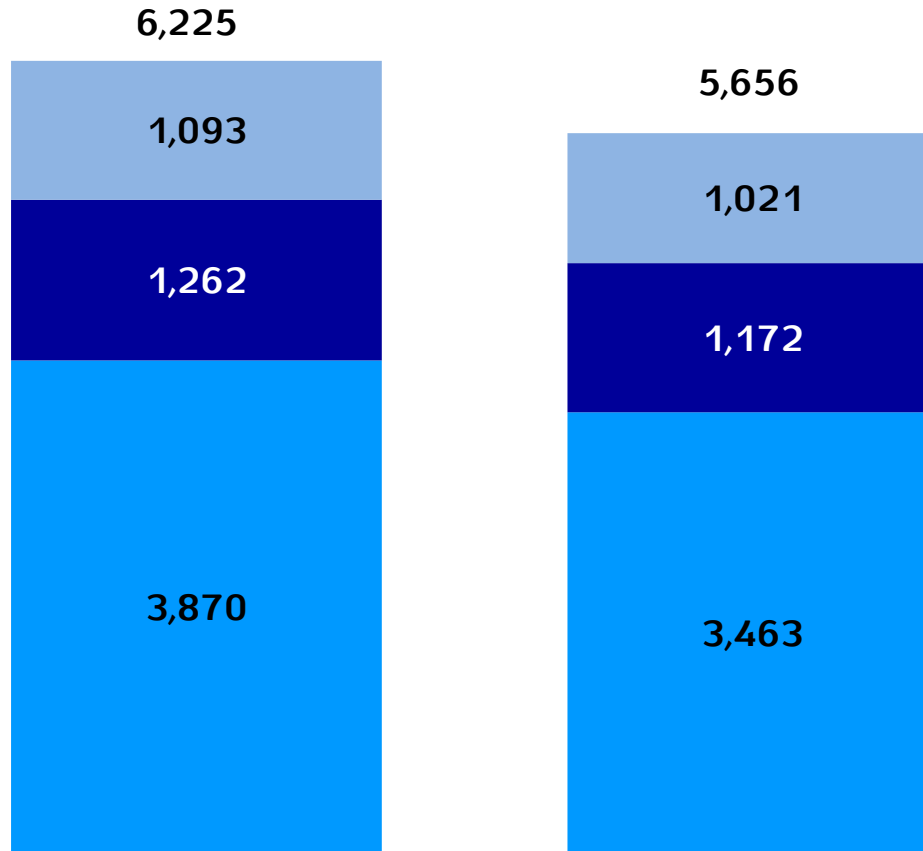
NIS millions	30 Sept. 2011	30 Sept. 2010	Change	Δ%
Operating commissions	2,775	2,733	42	(1.5)
Profits(losses) from investments in shares	(7)	188	(195)	-
Other income	53	100	(47)	(47.0)
Total operating & other income	2,821	3,021	(200)	(6.6)

## Operating commissions



# 3.3% YoY increase in total operating and other expenses (after neutralizing special salary expenses)

NIS millions



9M'11

9M'10

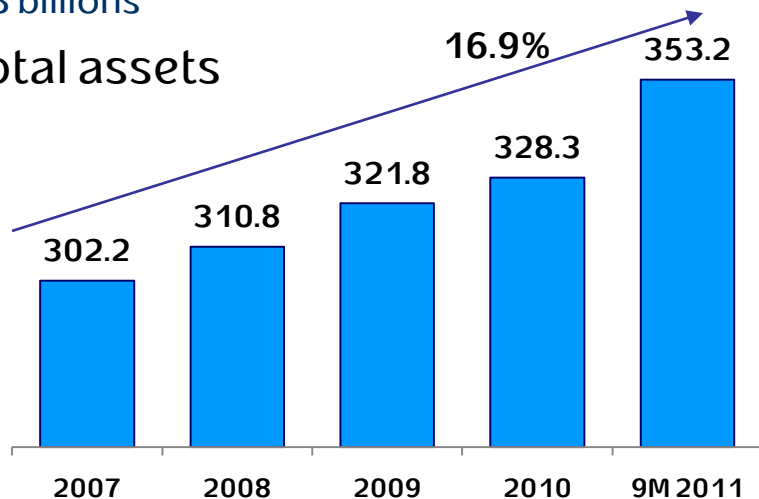
- Salaries and related expenses
- Maintenance of buildings & equipment & depreciation
- Other expenses

11.8% increase in salary expenses is reduced to **0.7%** primarily after neutralizing the losses in the returns of the severance pay fund and pension fund

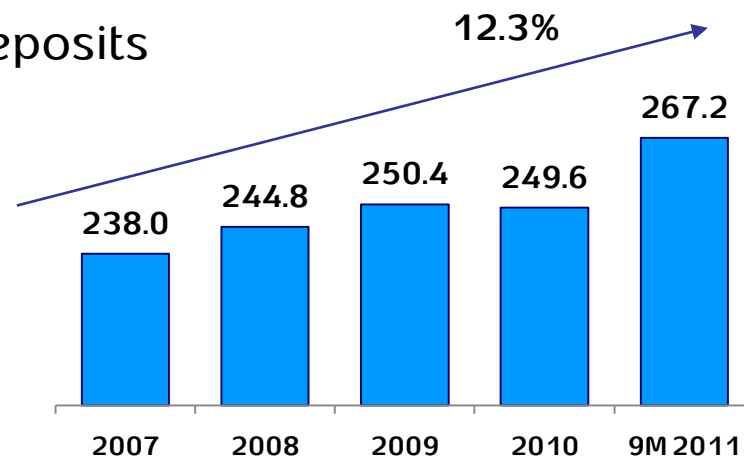
# Sustained balance and off-balance sheet growth

NIS billions

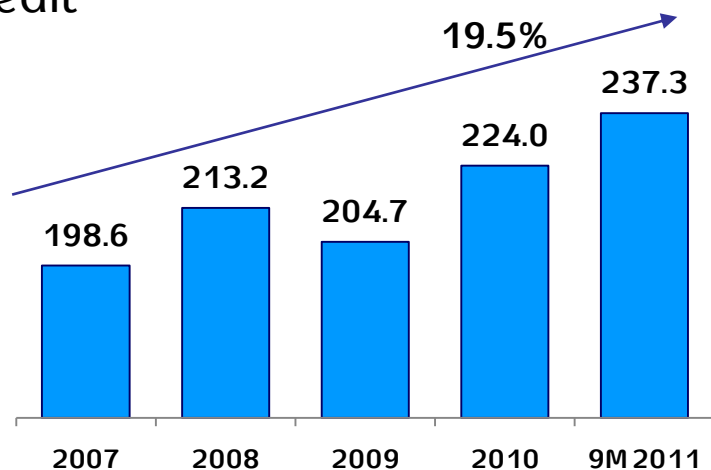
## Total assets



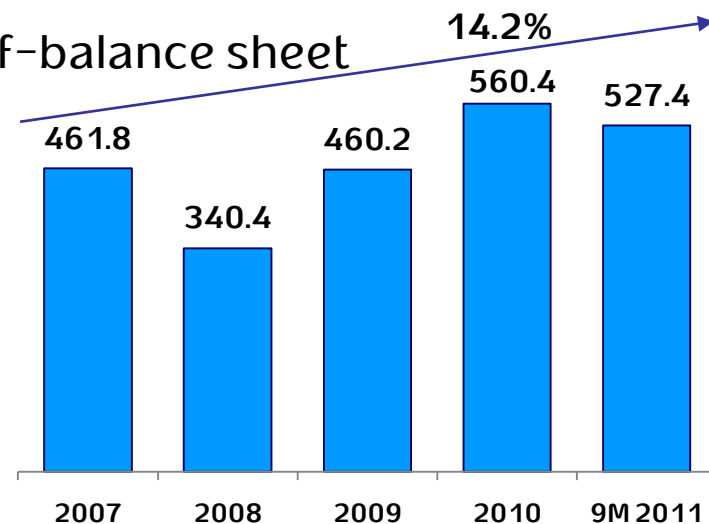
## Deposits



## Credit



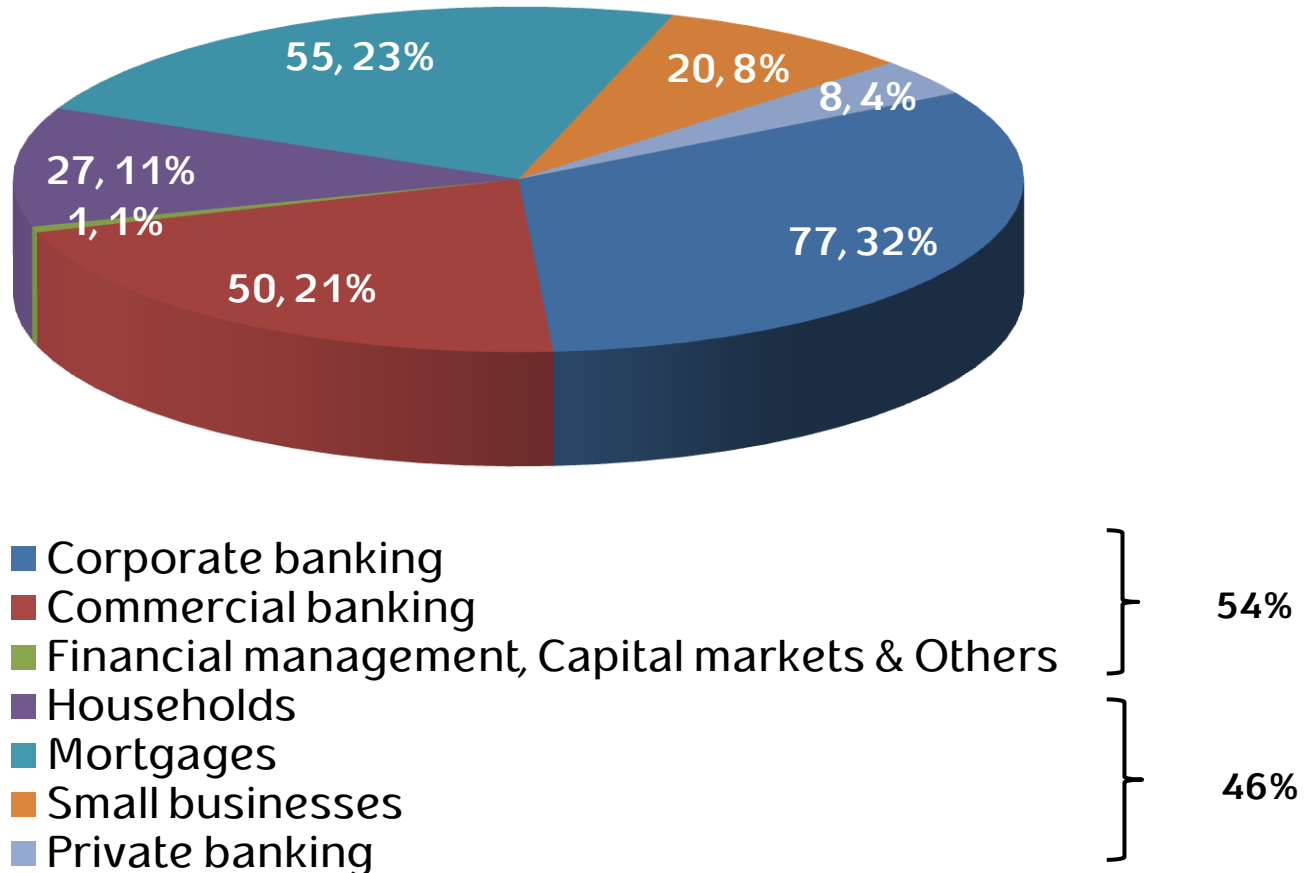
## Off-balance sheet



# Diversified credit portfolio

NIS millions, %

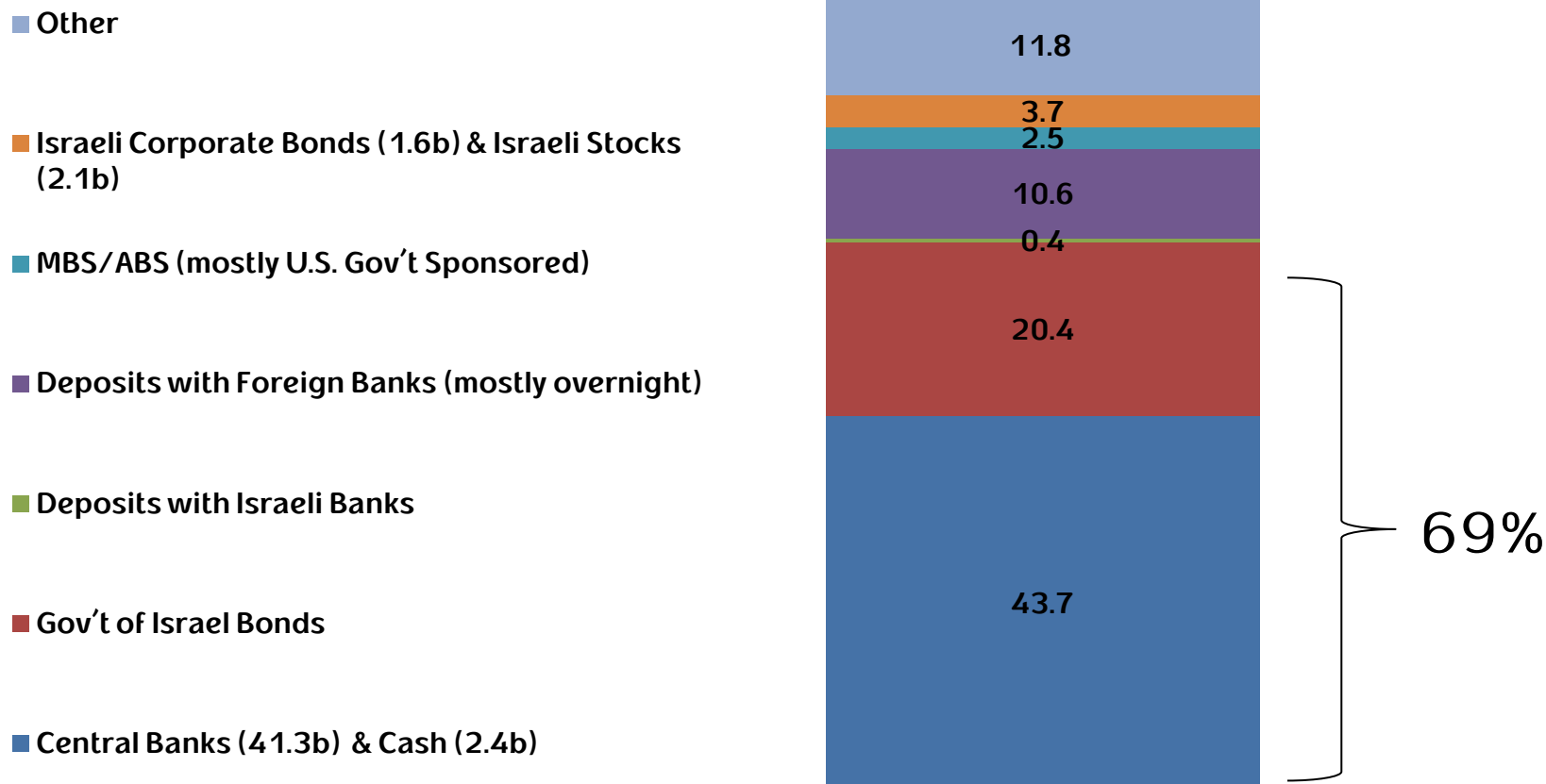
Composition of loan portfolio by segment, 9M'11



# Low risk: 69 % of nostro investments are in Israel government bonds, central banks & cash

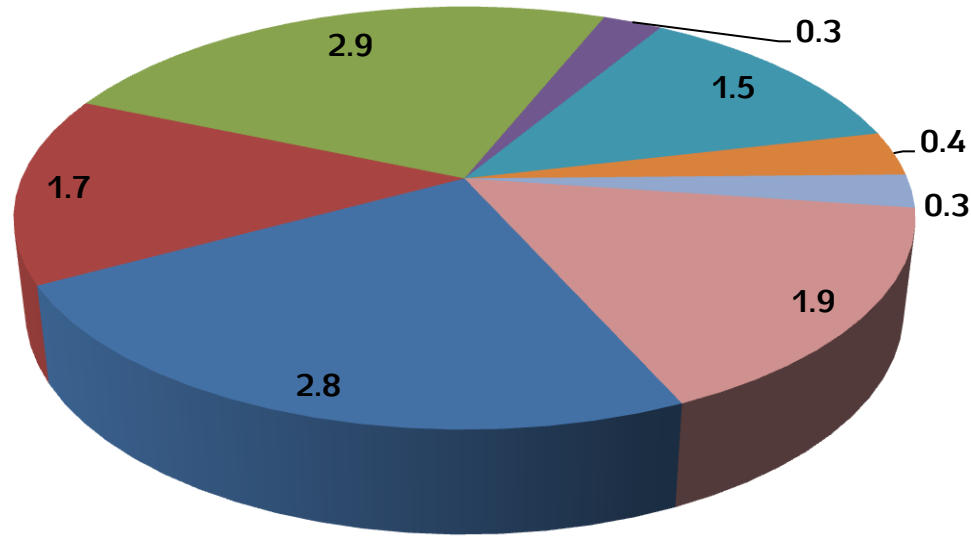
30 September 2011, NIS billions

## NIS 93.1 billion nostro portfolio



# Foreign financial sector, sovereign & corporate bonds & stocks

30 September 2011, NIS billions



■ U.S. Financial Sector Bonds

■ U.K. Financial Sector Bonds

■ Eurozone Financial Sector Bonds

■ German Financial Sector Bonds

■ Other Developed Market Financial Sector Bonds

■ U.S. and U.K. Sovereign Bonds

■ Emerging Markets Sovereign Bonds

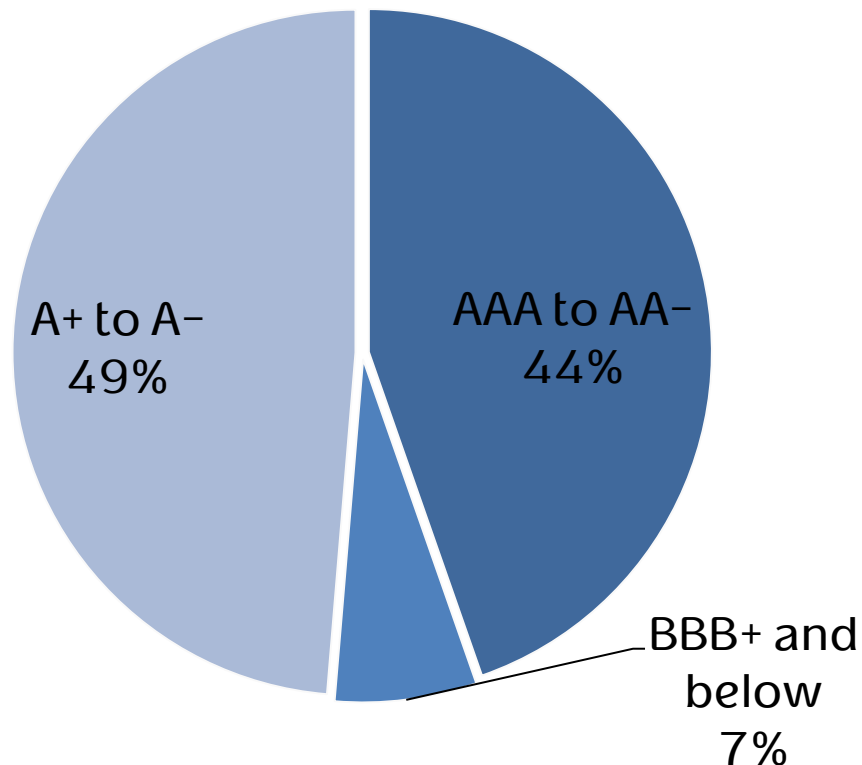
■ Foreign Corporate Bonds (1.2b) & Stocks (0.7b)



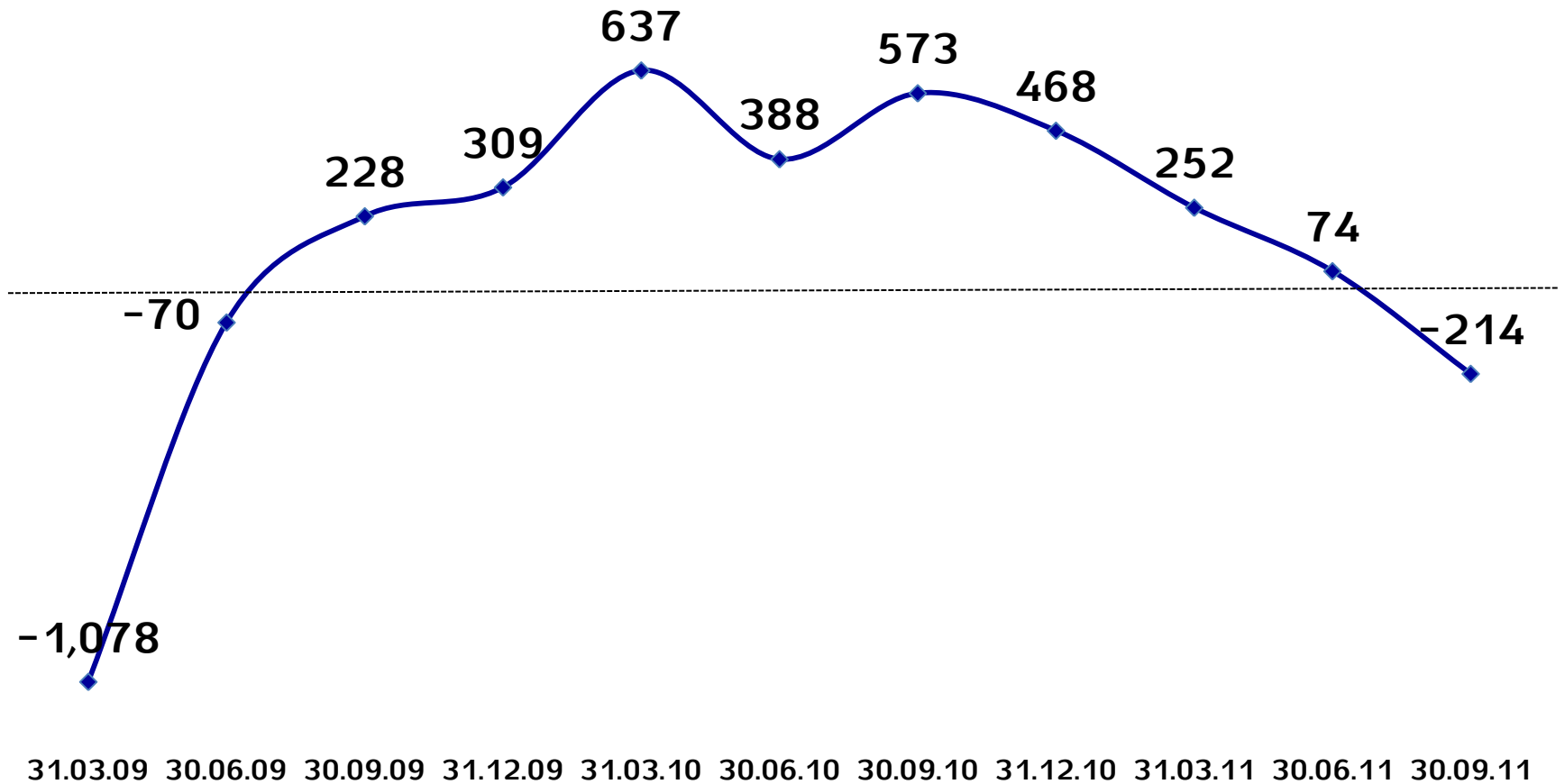
# Low risk: 93% of exposure to securities of foreign financial institutions is rated A- and above

30 September 2011, %

NIS 9.2 billion exposure to securities  
of foreign financial institutions



# Other Comprehensive Income\*



\* Net balances in shareholders' equity (net adjustments in respect of available-for-sale securities)

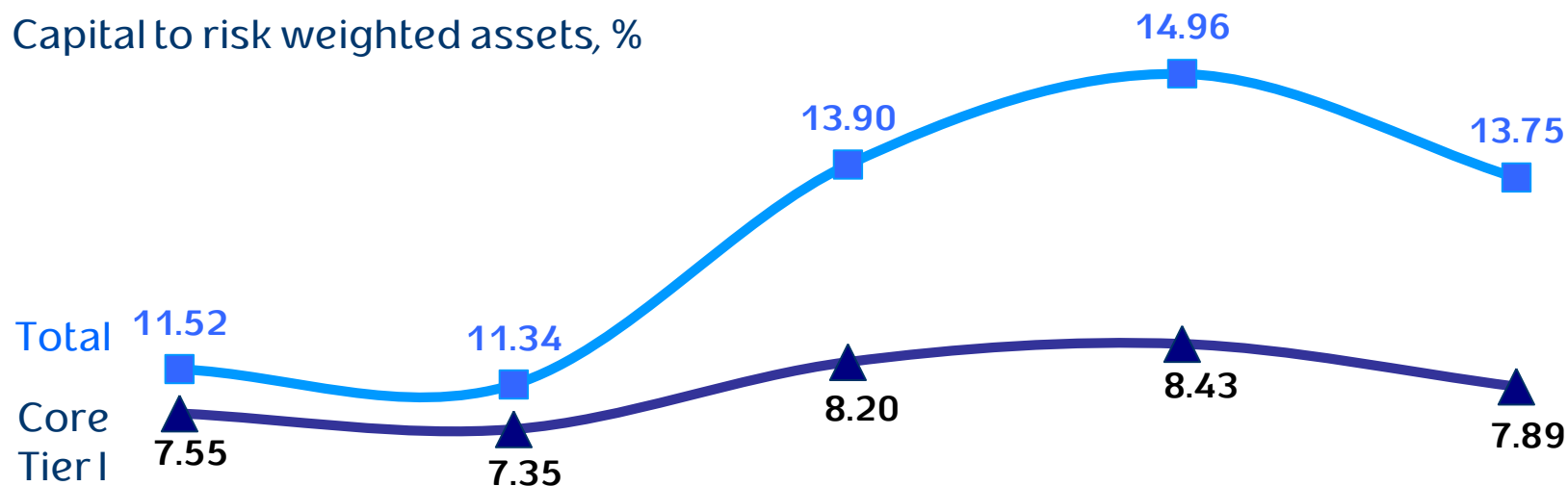
# Exposure to certain foreign countries (GIIPS)

30 September 2011, NIS millions

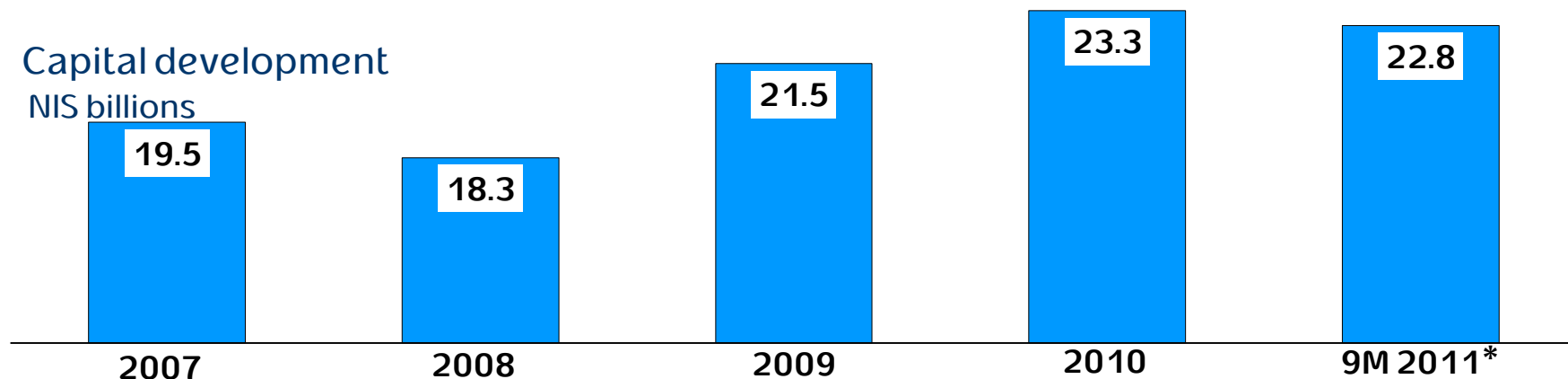
Country	Credit to the public	Bonds	Bank deposits	Other	Total
Portugal	-	-	-	-	-
Ireland	2	49	-	-	51
Italy	45	459	40	16	560
Greece	8	-	-	1	9
Spain	3	455	19	27	504
Total	58	963	59	44	1,124

# Solid capital position

Capital to risk weighted assets, %



Capital development  
NIS billions



\*Decline in capital primarily impacted by implementation of new directives (NIS 721m), a decrease in the value of the available-for-sale portfolio (NIS 682m) and a dividend distribution (NIS 400m), which offset the profit of NIS 1.3b

# Strong fundamentals

- ☒ Diversified business model
- ☒ Market leading position
- ☒ High quality loan portfolio
- ☒ Low leverage and high liquidity
- ☒ Strong capital position

Thank You

## Investor Relations Contacts

Phone:

+972 (0)3 514 8630

+972 (0)3 514 8954

Email

[herb.small@bankleumi.co.il](mailto:herb.small@bankleumi.co.il)

[rachel.livnatseri@bankleumi.co.il](mailto:rachel.livnatseri@bankleumi.co.il)

Wherever you wish to go, Leumi is with you

