

The background is a dynamic, abstract composition of various shades of blue. It features a series of parallel, diagonal lines that create a sense of depth and movement. Interspersed among these lines are several white geometric shapes, including triangles and rectangles, some of which are outlined. There are also small, stylized icons: a gear-like symbol in the upper left, and several arrow-like symbols pointing in different directions. The overall effect is modern and technological.

# Leumi Group

## 1H 2014 Earnings Review

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# >> Israeli economy

- > Geopolitical situation likely to have brief negative impact on growth. Our GDP growth forecast for 2014 is expected to be revised downwards.
- > No foreign debt and high level of FX reserves
- > Debt/GDP ratio considerably lower than OECD average
- > Inflation remains very low

Main Macroeconomic Variables	2013*	2014**
Annual Rates of Change, Real Terms		
GDP	3.3%	2.7%
GDP net of technical impact of gas inclusion	2.4%	2.3%
Percentage of GDP		
Current account surplus(+)/deficit (-)	2.5%	2.4%
Government budget surplus (+)/deficit (-)	-3.1%	-3.0%
Government debt (central)	66%	67%
Annual Average		
Unemployment rate (using new data definitions)	6.2%	6.0%
Additional Data		
Consumer price index, year-end change	1.8%	0.2%
Shekel / US\$ average exchange rate	3.61	3.48
Bank of Israel average interest rate	1.4%	0.7%

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



# Principal Results

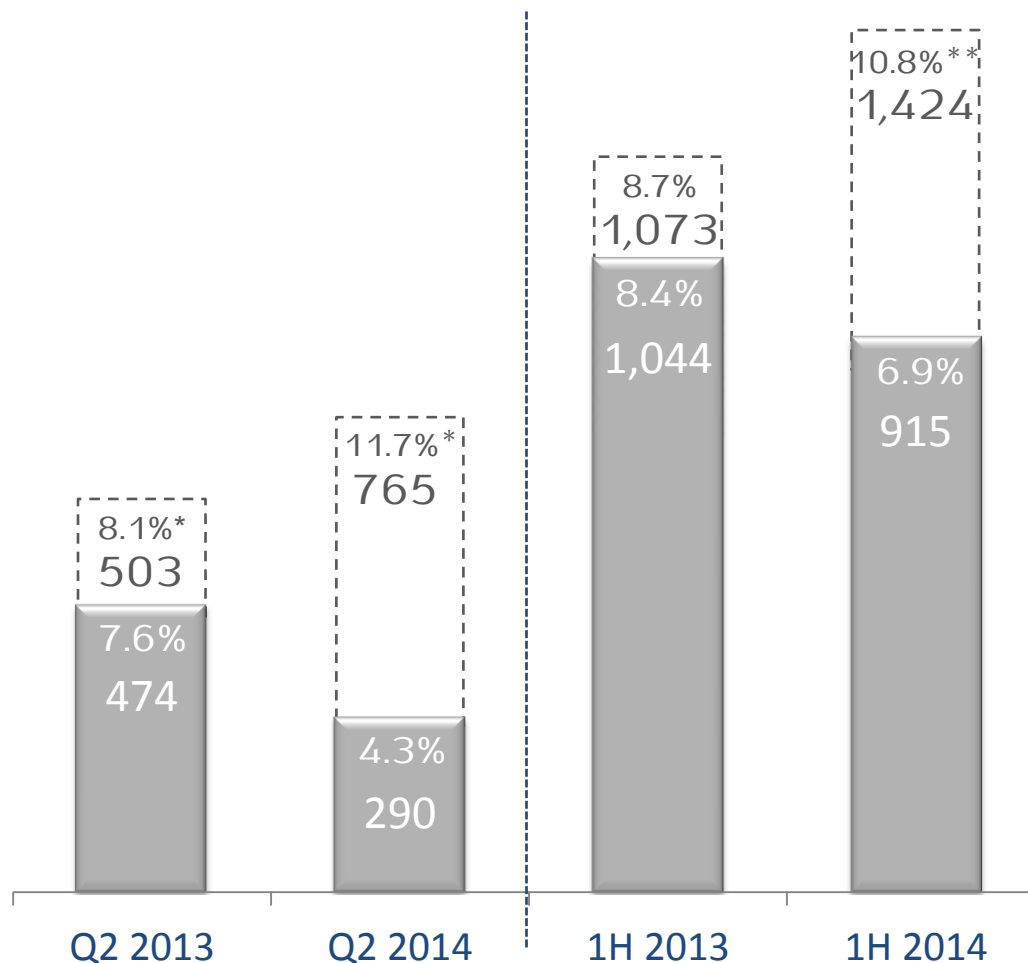
NIS millions

	1H 2014	1H 2013	Δ %
Total Income	6,286	6,316	(0.5)
Expenses (income) in respect of credit losses	(67)	157	+
Net interest income after expenses in respect of credit losses	3,729	3,444	8.3
Operating & other expenses	4,639	4,236	9.5
Operating expenses excluding provision for US Customers	4,137	4,198	(1.5)
Net Profit	915	1,044	(12.4)
Return on Equity	6.9%	8.4%	



# Strong net profit and RoE excluding provisions for US customers

NIS millions



\* Excludes provision for US Customers, NIS 38m before tax

\*\* Excludes provision for US Customers, NIS 502m before tax

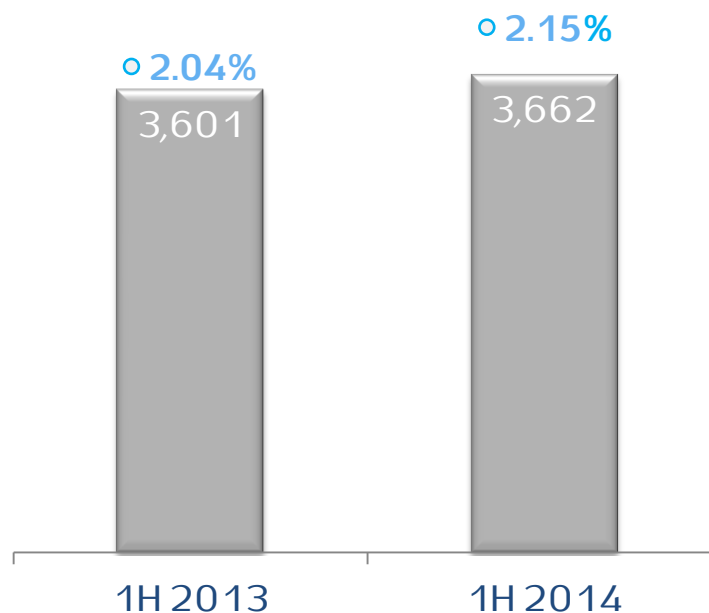


# Net interest income up despite low interest rates

NIS millions, ◦ Interest margin accumulated for the period end

1H 2013 Average Bol interest rate: 1.65%

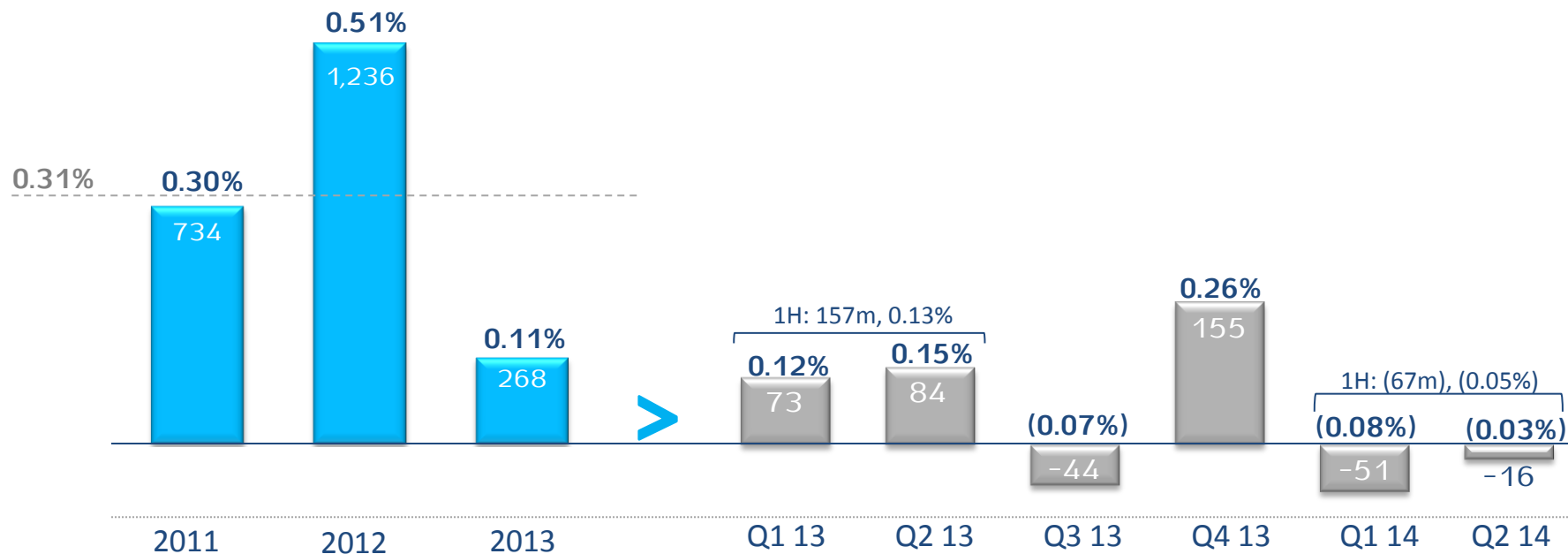
1H 2014 Average Bol interest rate: 0.83%





# Rate of provision significantly below 3 year average

NIS millions





# Low NPL ratio; declining problem debts

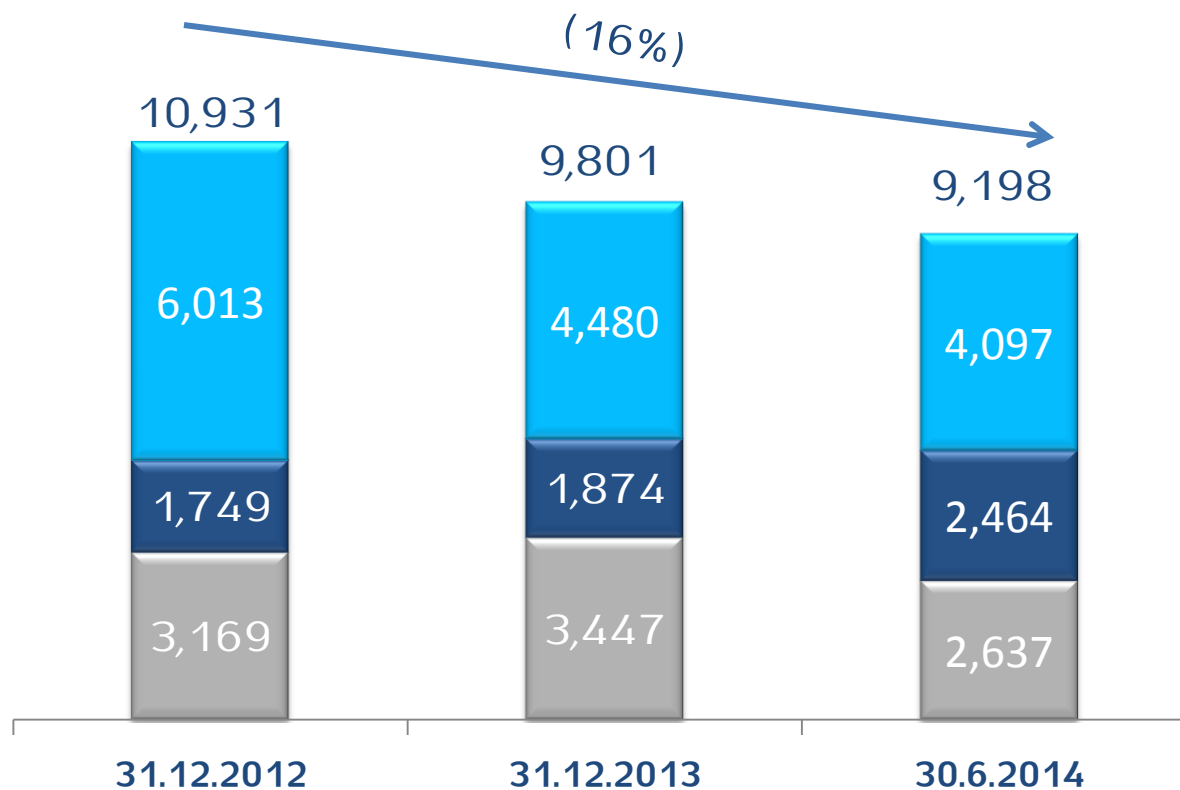
NIS millions

NPL Ratio:

2.9%

2.1%

2.0%



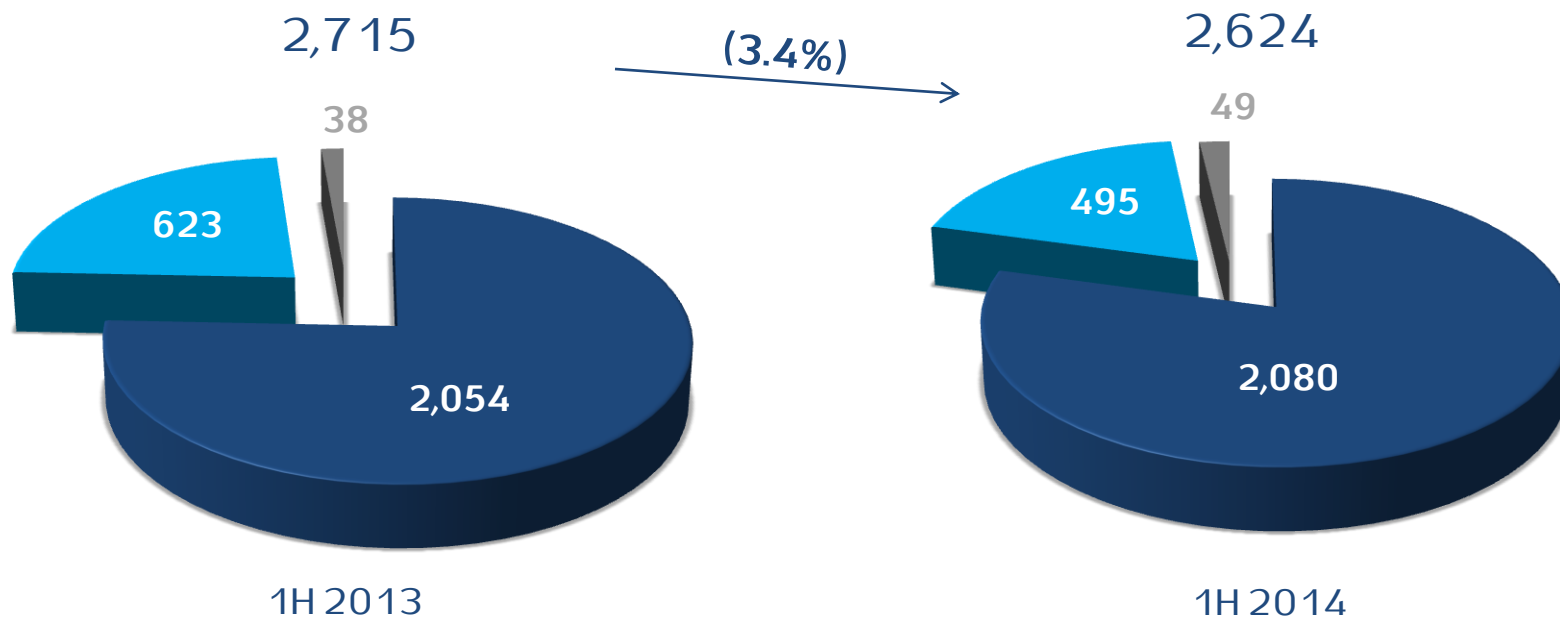




## Non-interest income

Operating commissions comprise 79% of total non-interest income

NIS millions

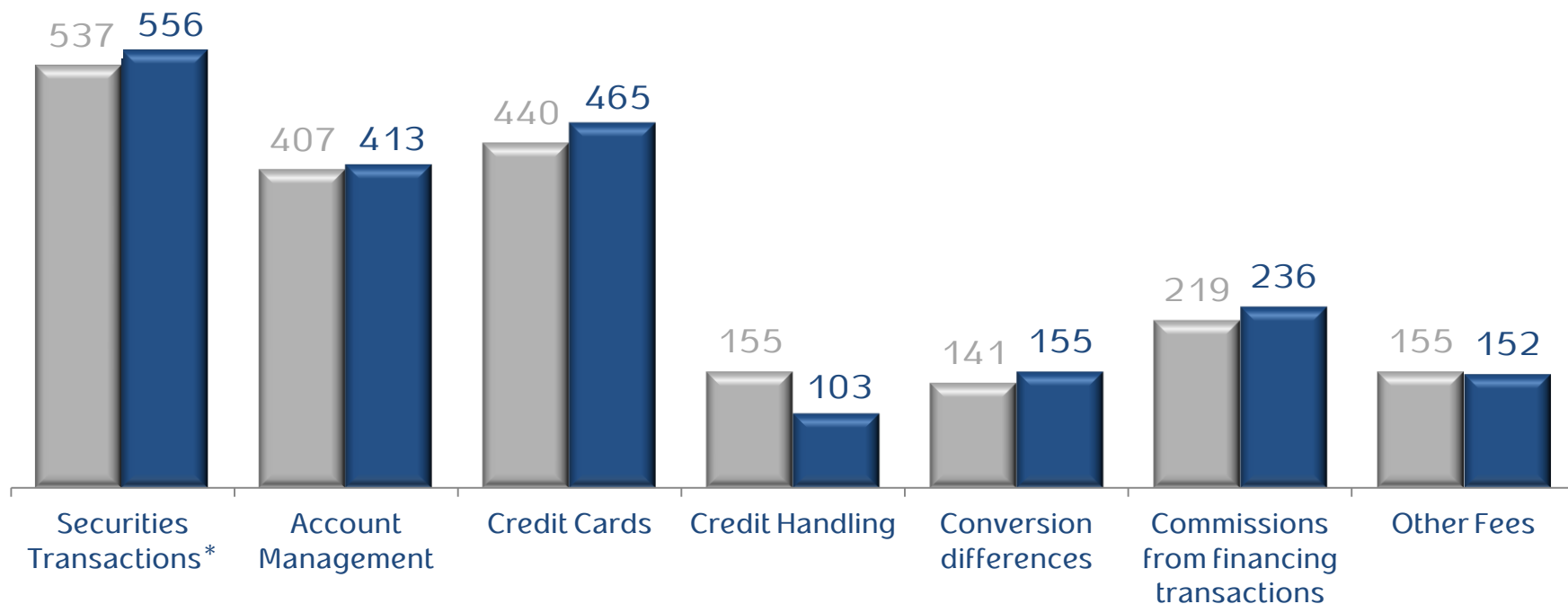


# >> Commission revenue stable and diverse

NIS millions

30.6.2013: 2,054

30.6.2014: 2,080

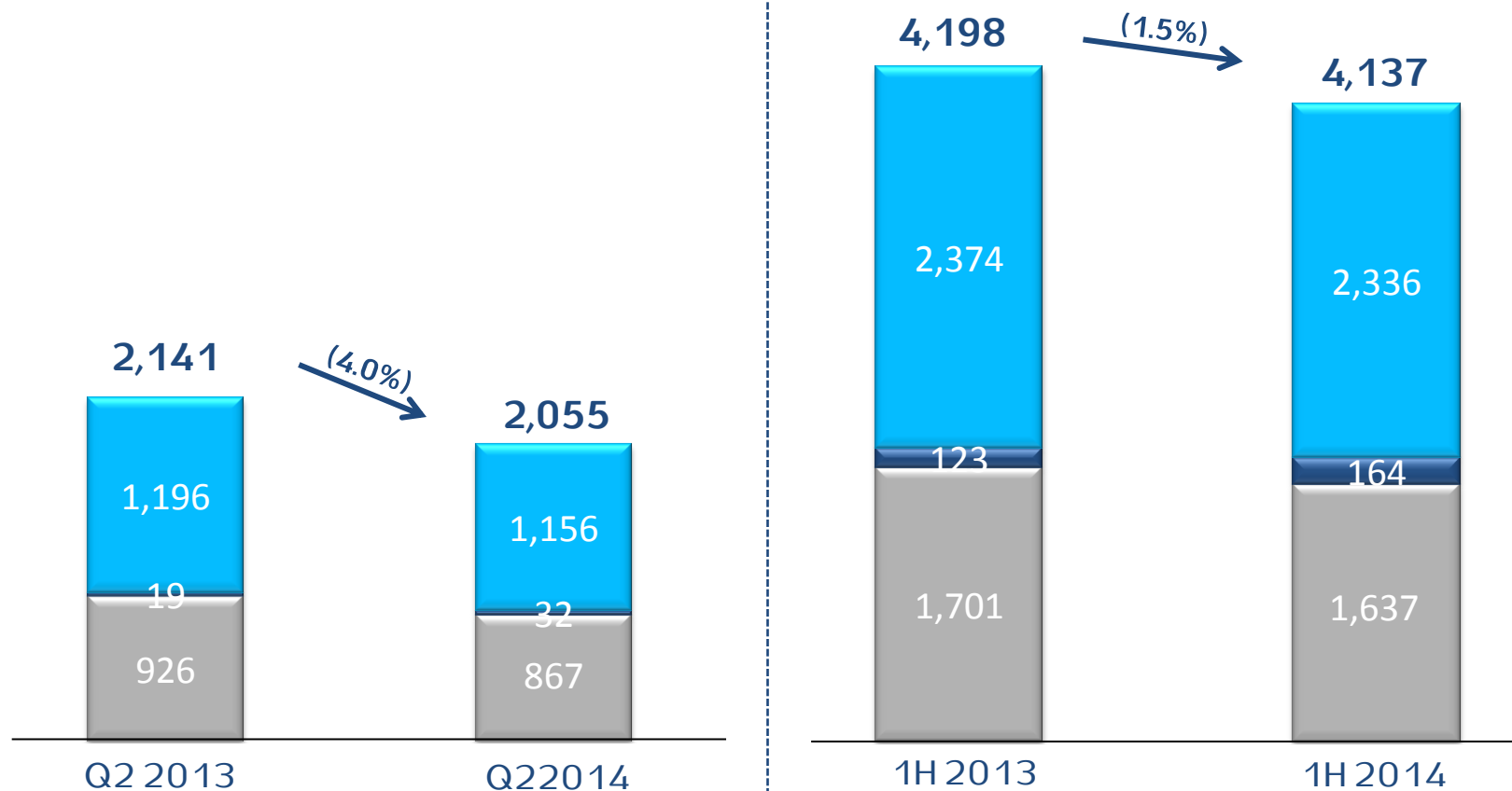


\* Includes financial product distribution commissions



## Total operating and other expenses down excluding provisions for US customers

NIS millions

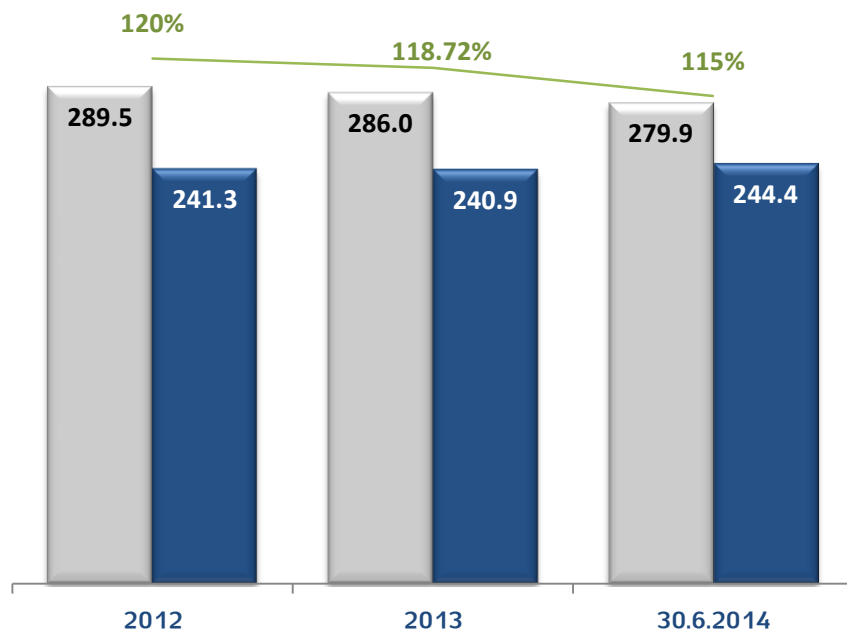




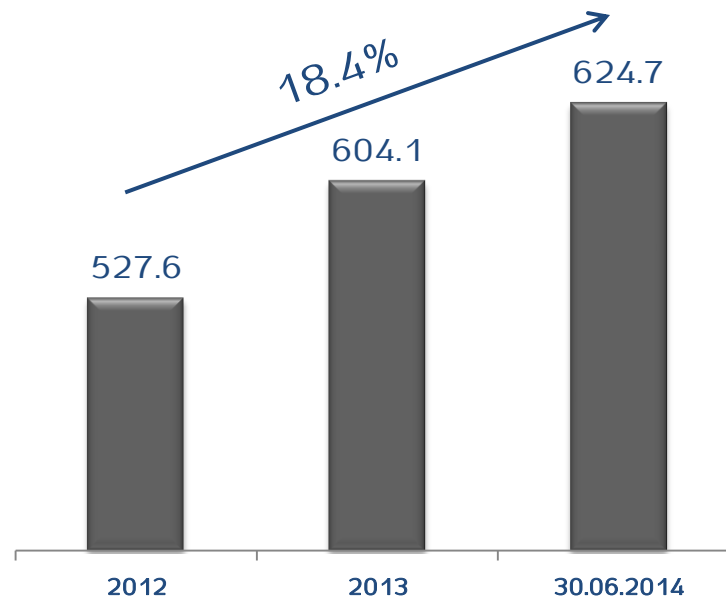
# Strong liquidity; decrease in deposits, increase in off-balance sheet

NIS billions

## Deposits to Credits



## Off-balance sheet securities portfolio including mutual funds





## Credit growth

NIS billions

	30.06.2014	31.12.2013	Δ %
Households	105.0	100.2	4.7
Small Businesses	24.2	23.3	3.5
Private Banking	5.9	6.5	(8.2)
<b>Total Retail</b>	<b>135.1</b>	<b>130.0</b>	<b>3.8</b>
Corporate Banking	58.7	60.7	(3.2)
Commercial Banking in Israel	34.3	32.3	5.9
Commercial Banking Abroad	15.9	17.3	(7.7)
Financial Management & Others	0.4	0.6	(26.0)
<b>Total Corporate</b>	<b>109.3</b>	<b>110.9</b>	<b>(1.4)</b>
<b>Total Credit</b>	<b>244.4</b>	<b>240.9</b>	<b>1.5</b>

## >> Quality credit portfolio

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

	31.12.2011	31.12.2012	31.12.2013	30.06.2014
<b>Groups of borrowers</b>	2	1	–	–
<b>% of capital</b>	37.6%	18.0%	–	–

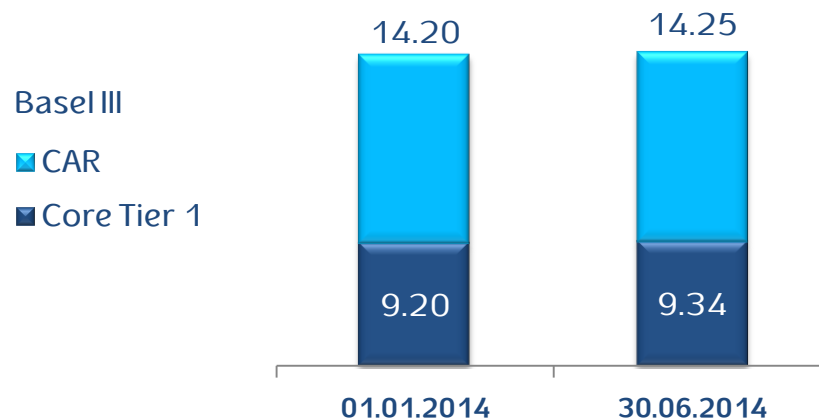
Total debts of large borrowers, groups of borrowers and banking groups of borrowers whose debts exceeds 10% of the Bank's capital (BoI limit of 120% of capital)

	31.12.2011	31.12.2012	31.12.2013	30.06.2014
<b>% of capital</b>	48.1%	18.0%	14.7%	12.7%

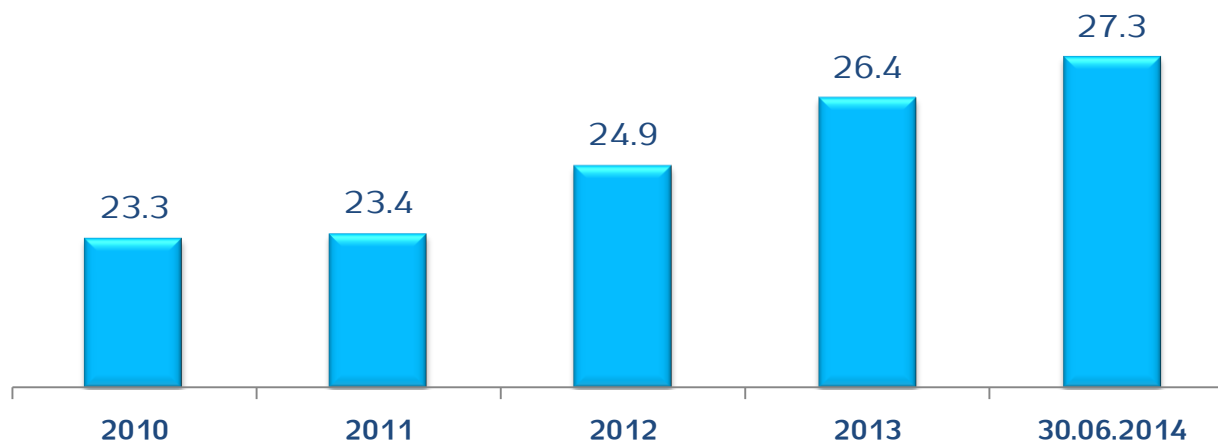


## Capital: positioned to meet regulatory requirements

### Capital to risk weighted assets, %



### Capital development, NIS billions



## >> Strategic highlights

- ✓ **Efficiency**
  - headcount reduced -- salary expenses down
  - lean banking project completed
- ✓ **High quality loan book and leading capabilities in credit risk management**
  - Coverage ratio: 78%
- ✓ **Profit generation** -- increasing market share of high RoE segments
  - continued growth in household and SME credit
- ✓ **Back to Basics** -- Focus on Israel
  - LeumiTech – to be the financial home of the Israeli hi-tech industry in Israel and abroad
  - transferring private banking business in Switzerland and Luxembourg to Julius Baer
- ✓ **Leader in IT services for customers**
  - new innovative mobile services launched -- named Best in Mobile Banking in Israel (Global Finance)





# Thankyou

For more information contact:

Herb Small // Head of Investor Relations

Tel: +972 76 8858630 // Mobile: +972 50 651 9144

[hsmall@bll.co.il](mailto:hsmall@bll.co.il)