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leumi

## Q2 2018 RESULTS PRESENTATION

**The conference call does not replace the need to review the latest periodic/quarterly reports in which full information is contained, including forward looking information, as defined in the Israeli Securities Law, and set out in the aforementioned reports.**

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# Recent Major Business Achievements



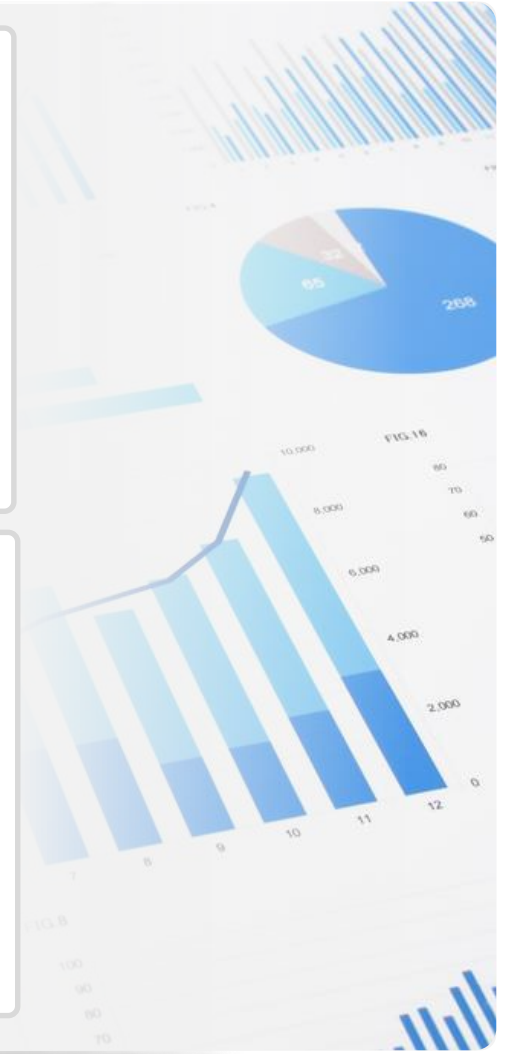
Selling Leumi Card to  
Warburg Pincus

- Net Profit of NIS 234M (Upon completion. Expected in coming quarters)
- Additional upside of up to NIS 273M to sale price in coming years



Closed 15% Sale of BLUSA  
to Endicott and MSD

Profit attributed to Capital Gain (Q2 2108)



# Business and Financial Highlights

## Digital

- **PEPPER** - on track
- 'Digital Mortgage' – Innovative, new and first of its kind in Israel
- Continued expansion of digital use across all customer segments



## Streamlining

- New Operations Division - Simplify and improve efficiency
- Progressing at full steam, launching in 2019



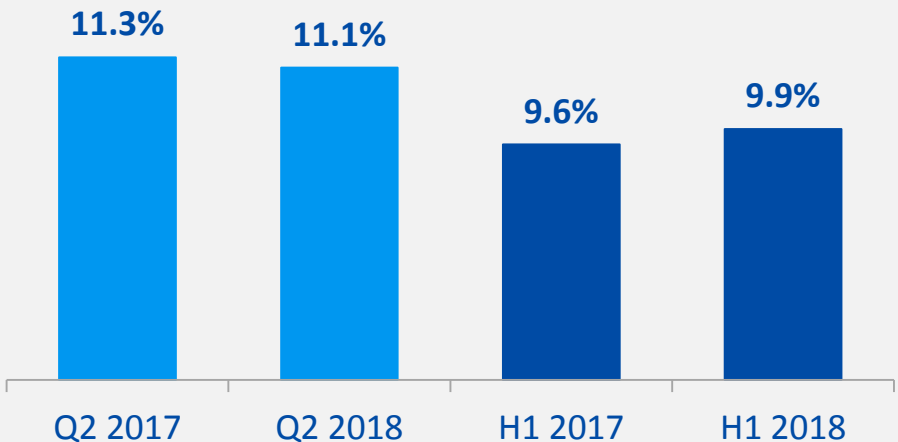
## Financials

- ROE and Capital continue to rise
- High Quality Credit Portfolio with very low LLPs
- Dividends and Buy-back near NIS 1 Billion (to date, 2018)

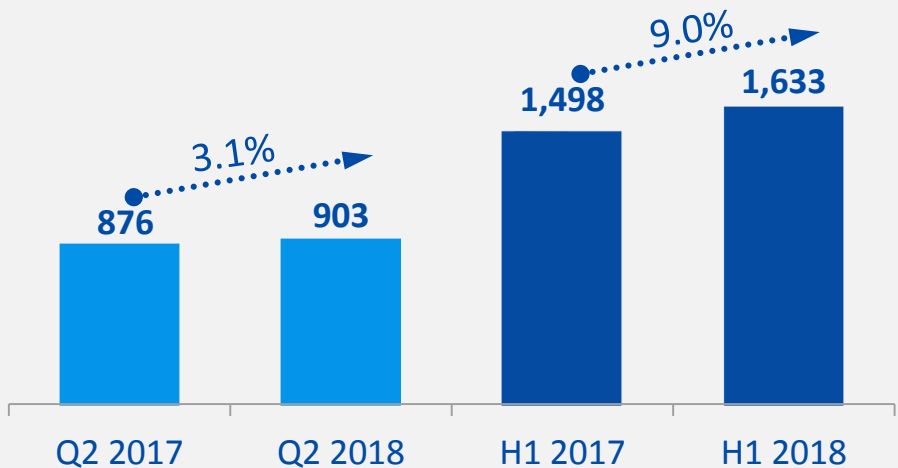


# Strong Results, Income and Net Profit Increased YoY

## Return on Equity



## Net Profit



**Income Up** – NII Up, Fees and Commissions Up; Noninterest income down, mainly attributed to depreciation of the NIS vs. USD and GBP, and the effect of derivatives

**Credit Loss Expenses Down** - Very low in H1 and below zero (income) in Q2 2018

**Expenses** – Increase in bonus expenses due to strong ROE and structural changes



Net Profit Up 9%, EPS up 9% from H1 2017



# Year-over-Year, Core Business Continues to Improve

ROE	NIM	EFFICIENCY RATIO	CREDIT LOSS EXPENSES	NPL RATIO	LEVERAGE RATIO	CET-1
H1 2018						
9.9%	2.20%	61.9%	0.09%	0.86%	7.00%	11.17%
H1 2017						
9.6%	2.07%	62.2%	0.11%	1.24%	6.93%	11.21%

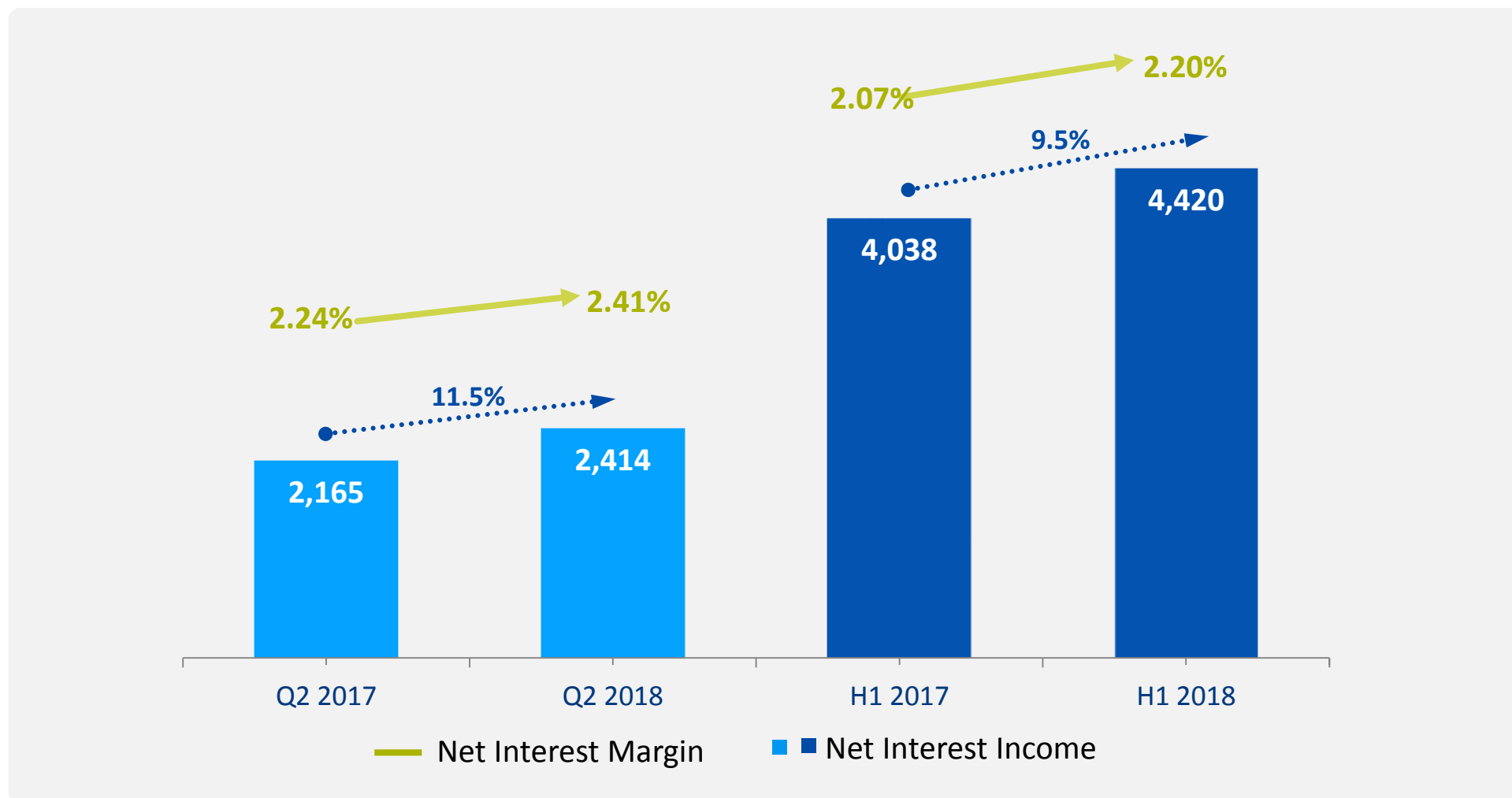


# Year-over-Year, Core Business Continues to Improve

ROE	NIM	EFFICIENCY RATIO	LOAN LOSS PROVISIONS
Q2 2018			
11.1%	2.41%	60.1%	(0.02)%
Q2 2017			
11.3%	2.24%	59.7%	0.06%



# Net Interest Income and Net Interest Margins on the Rise



(NIS Millions)

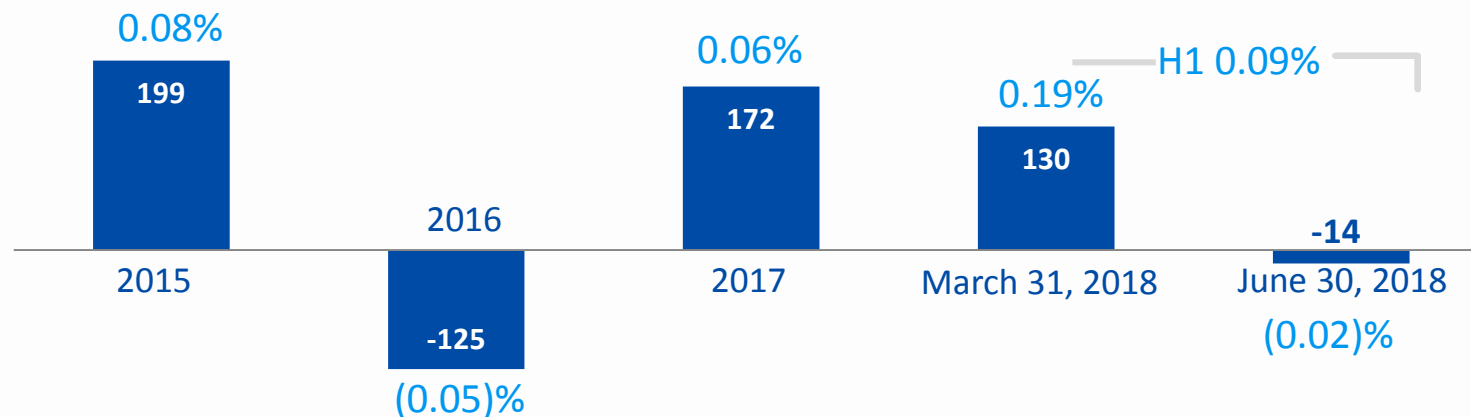




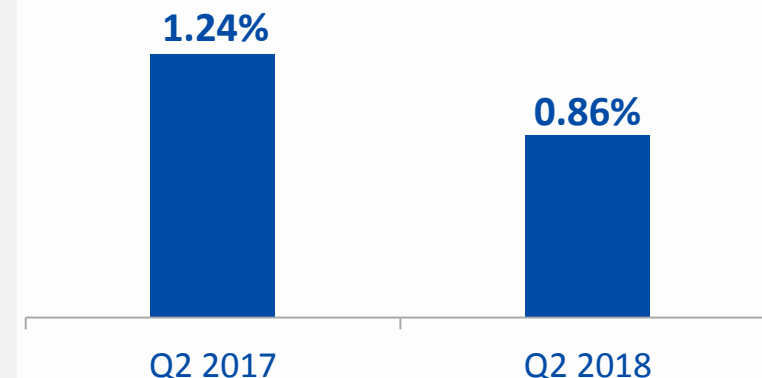
# A Snapshot of our High Quality Credit Portfolio

## Low Credit Loss Expenses

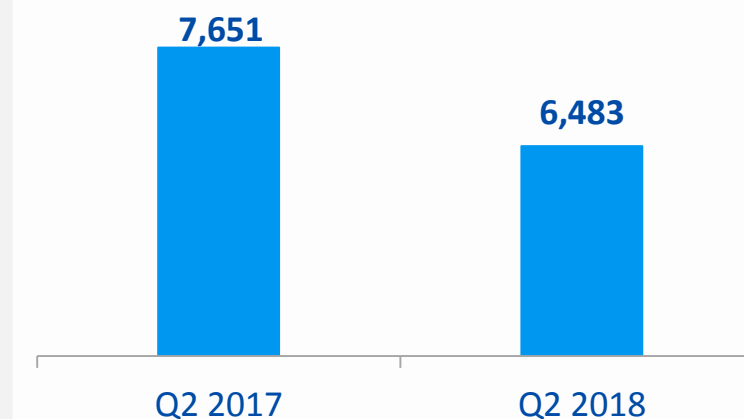
NO SINGLE 10%  
BORROWERS GROUP



## NPL\*



## Total Problem Debts\*

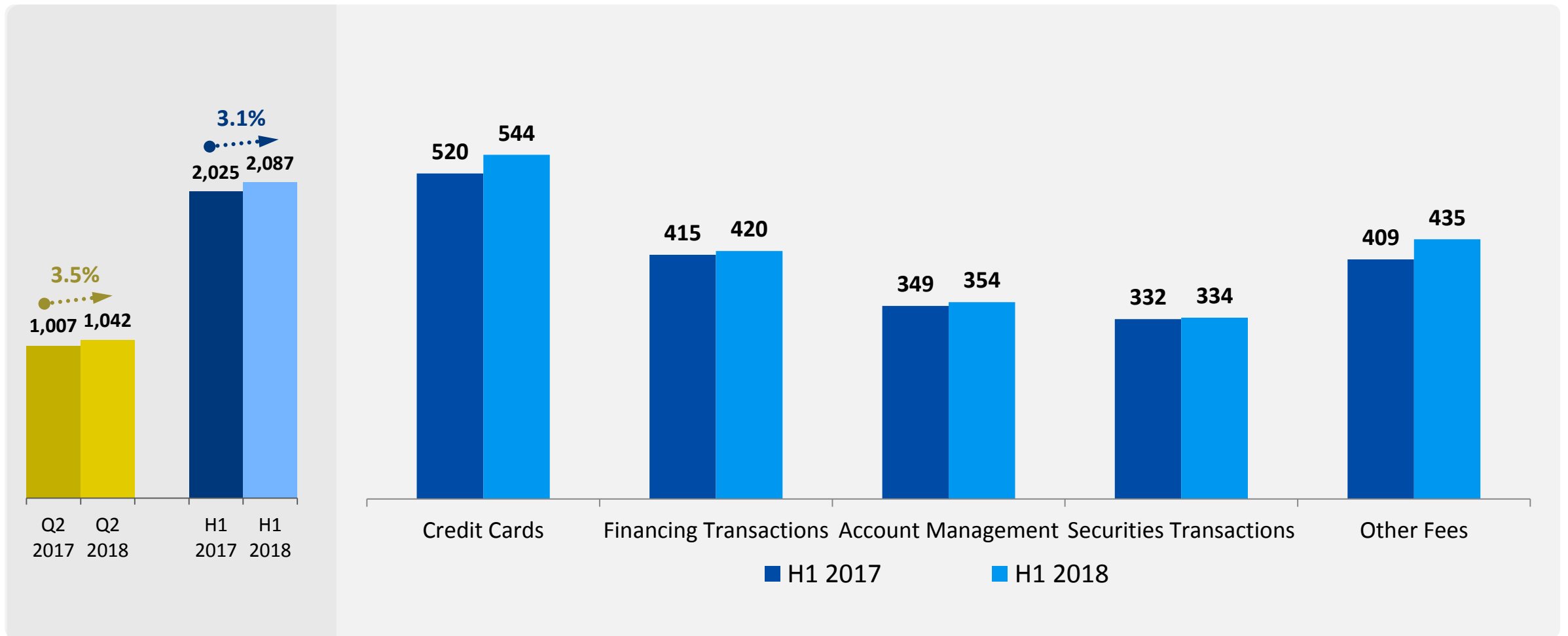


(NIS Millions)

\* Including held-for-sale asset



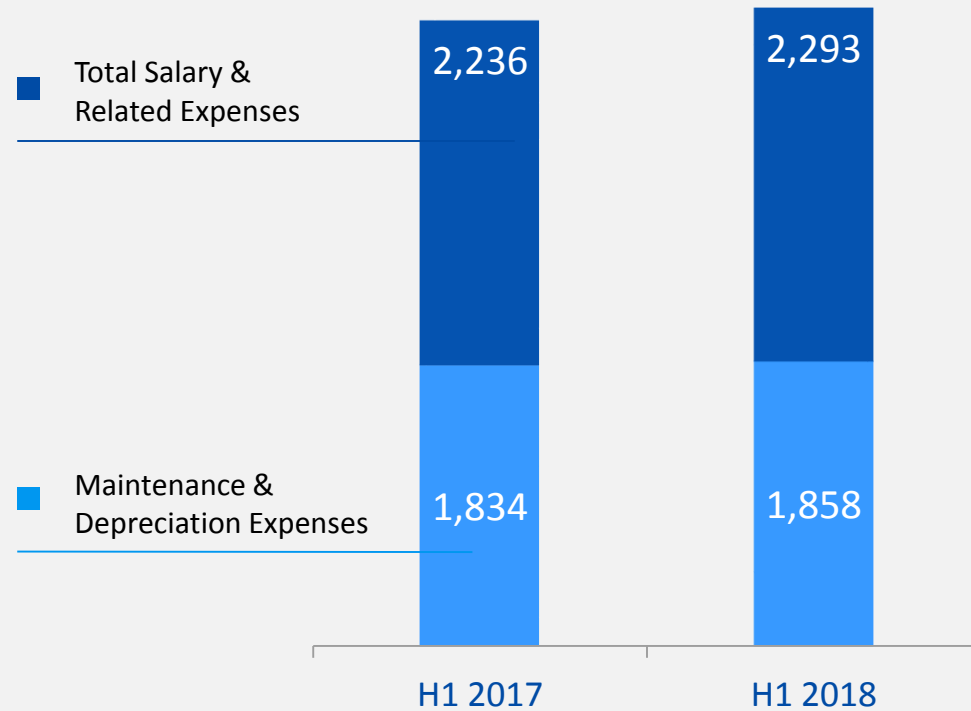
# Fees and Commissions Up Year-over-Year



(NIS Millions)



# First Half Expenses and Efficiency Ratio



## Improved Efficiency Ratio

62.2%

61.9%

H1 2017

H1 2018

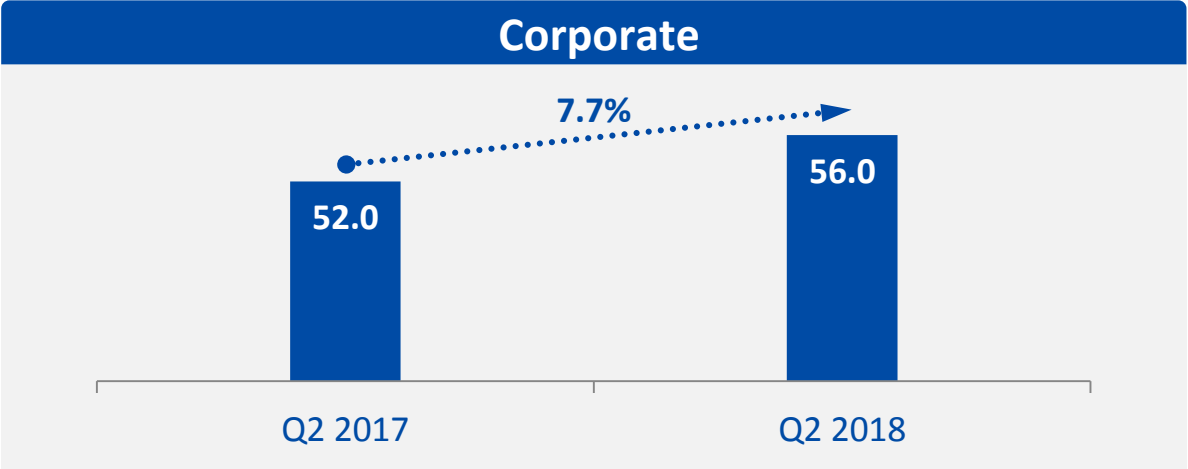
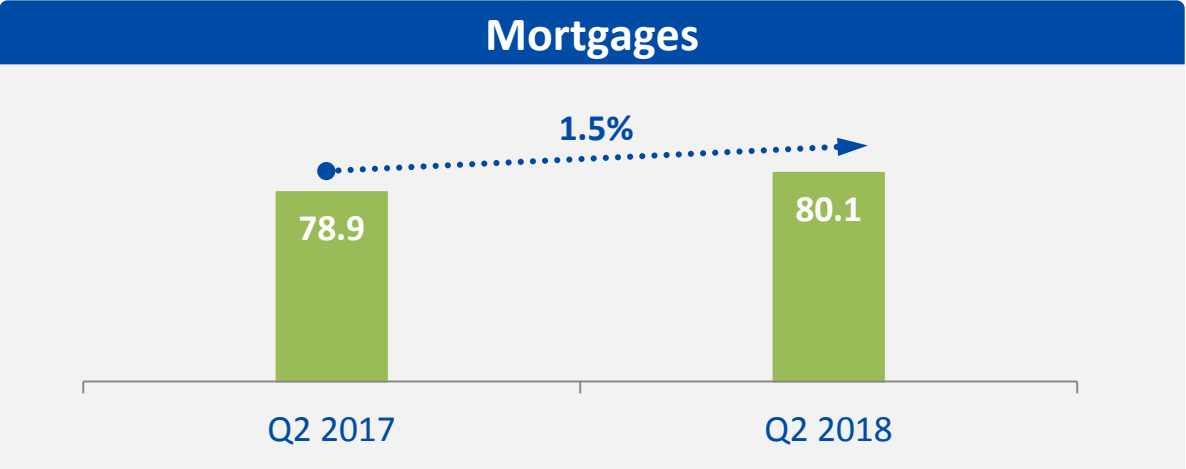
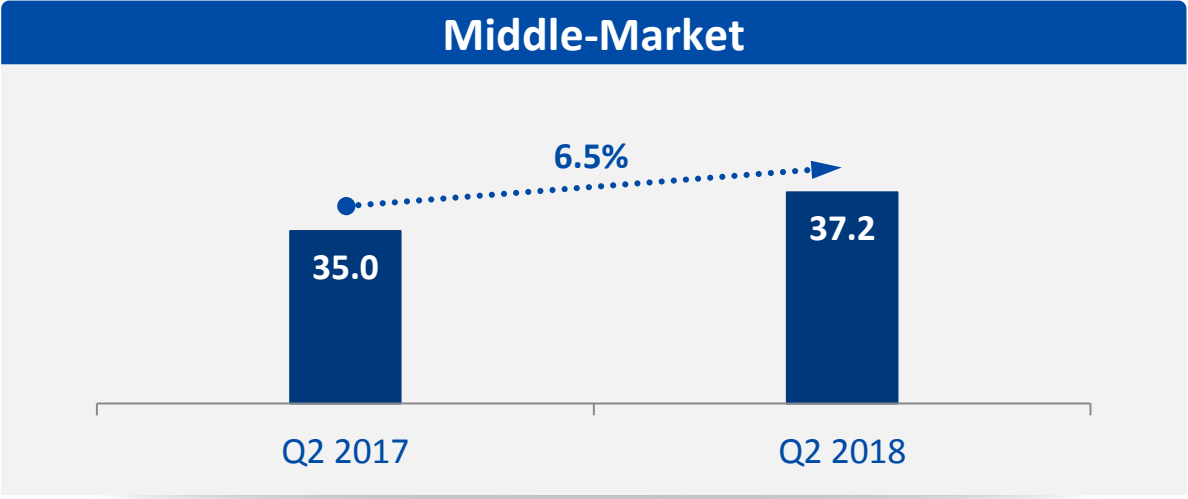
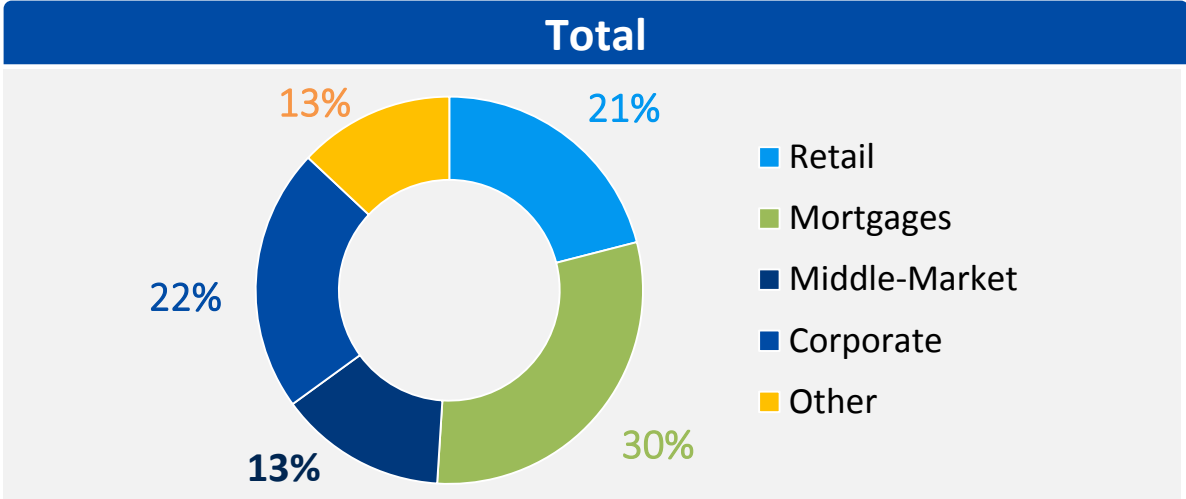
The change is mainly attributed to Salary and Related Expenses; linked to the high ROE in H1'18 and to a bonus due to structural changes

NIS Millions

In Q2 2017 our presentation featured a one-time bonus (NIS 43 million). In Q2 2018 an additional bonus was recorded due to structural changes. The bonuses for 2017 and 2018 are not presented as a one-time item



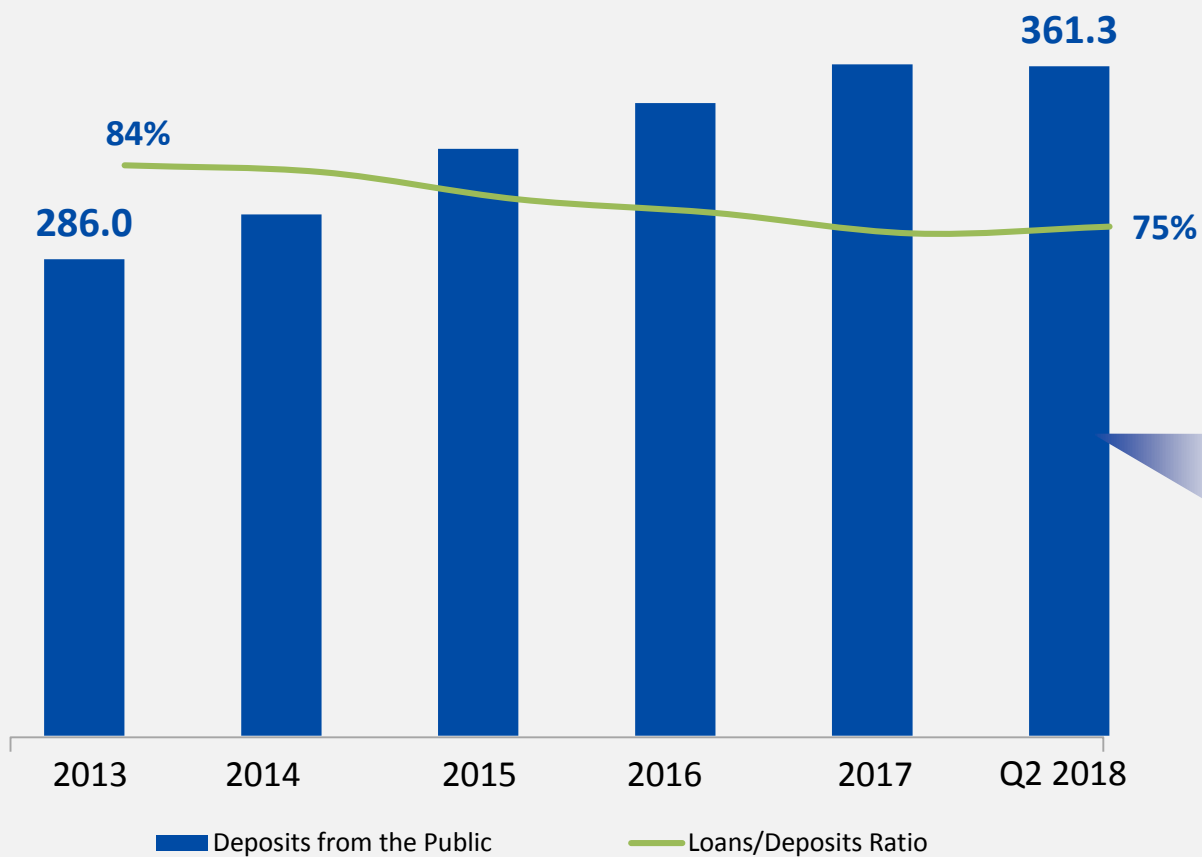
# Loan Growth in Line with Strategy



(NIS Billions)  
Corporate includes Corporate and Real-Estate



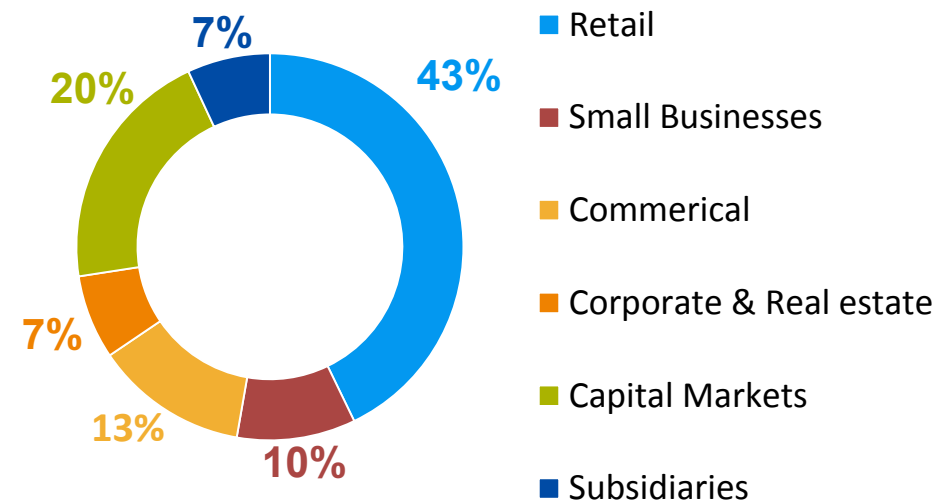
# High Quality and Diverse Deposit Base



Deposits and Loans include assets and liabilities held to sale  
(NIS Billions)

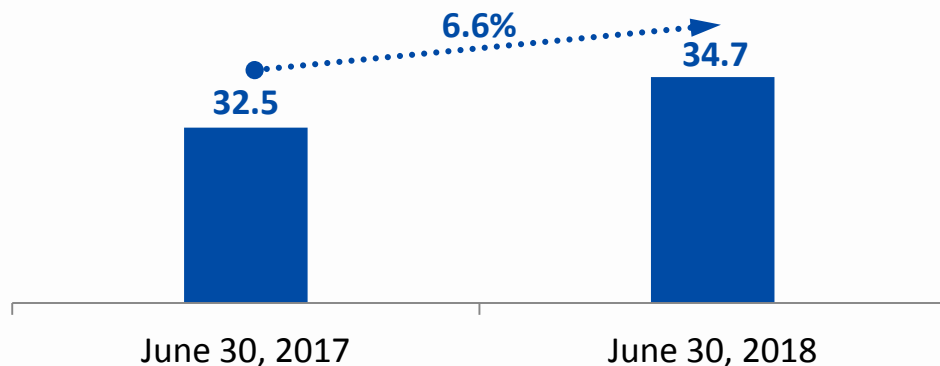


## Deposits from the Public June 30, 2018

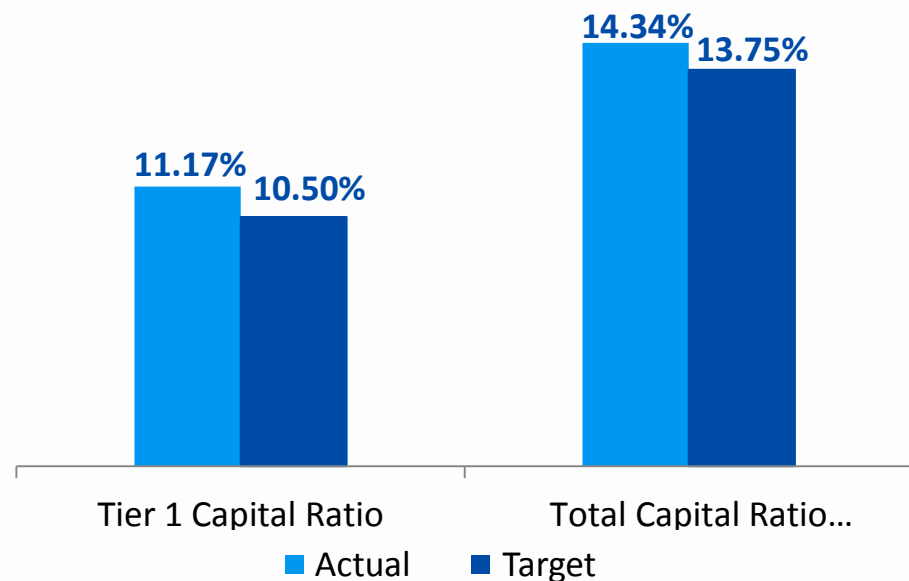


# Strong Capital Adequacy Ratios - Along with 40% Dividend, Buy-Back in Place

## Capital Increased, in Parallel to Return to Shareholders

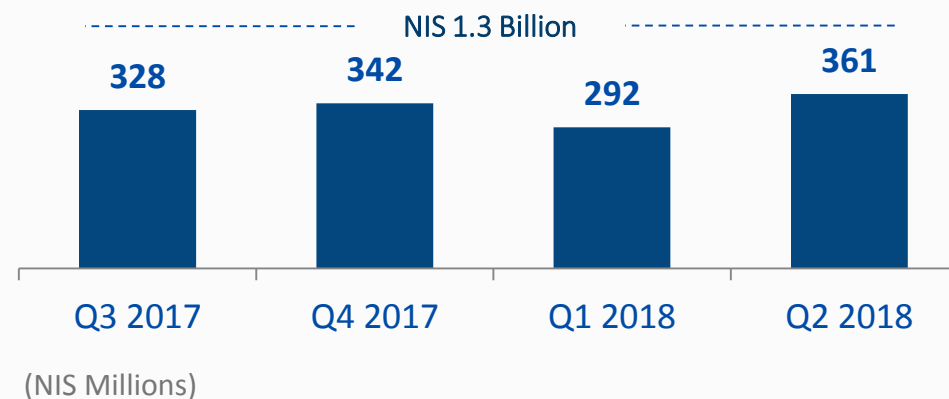


## Capital Ratios Well-above Targets (June 30, 2018)



## Dividends

- 40% Quarterly Payout
- 4.3% Q2 2018 Annualized Dividend Yield



## Buy-back Plan

- Started implementing Late May 2018
- Utilized to date: NIS 303M
- Total plan: Up to NIS 700M

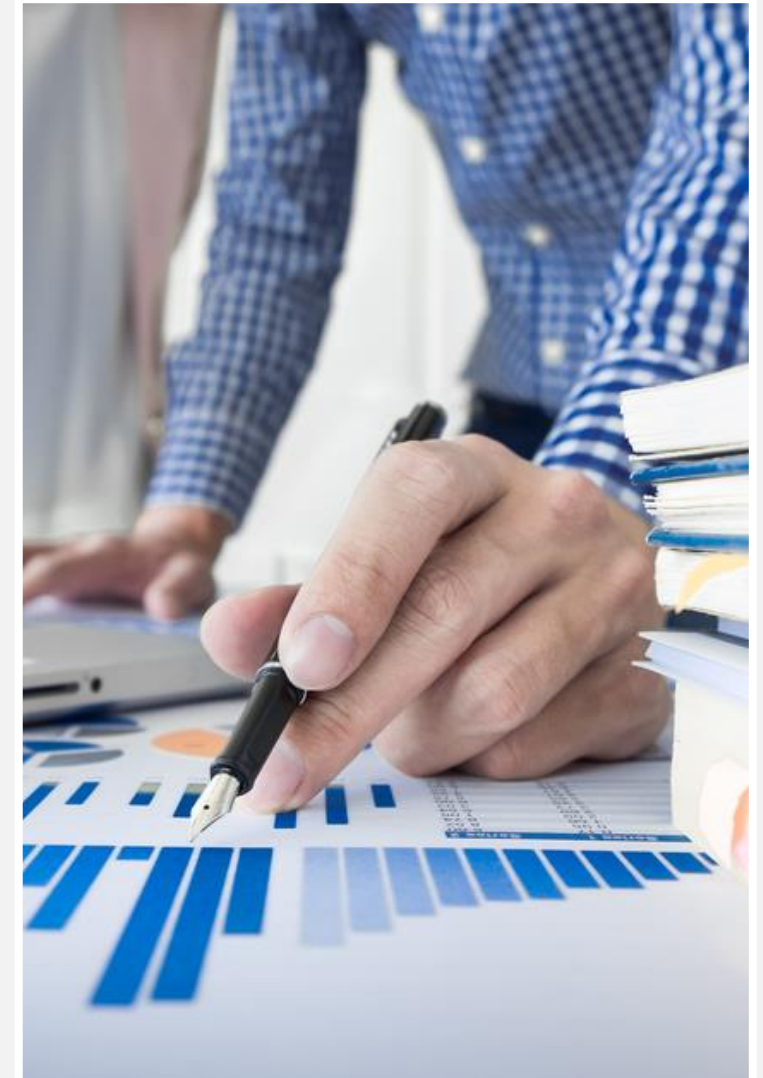


# Wrapping Up First Half of 2018

- Digital transformation and offerings continue to play pivotal role
- Strong Return on Equity
- High Quality Credit Portfolio – Low LLPs
- Growth in Credit led by Middle Market, Real estate and Mortgages
- Robust Capital Adequacy - 40% dividend payout and a Buy-back Plan

## Looking Ahead:

- • Completion of Leumi Card sale in the coming quarters
- Sale of Avgol to contribute to Q3 earnings
- Market forecasts an increase in interest rates





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Q&A





THANK YOU



# APPENDIX

# Strong Macro Profile – A Positive for Leumi

Strong Economic Growth – Positive for Leumi

Robust Demographic Fundamentals –  
Another “Plus” for Leumi

An Innovation Nation - Leumi Partnering in  
High-Tech Financial Services

Natural Resources (Water and Natural Gas)– One  
More Area of Leumi’s Financing Expertise

Israeli Economy Enjoys Stability Indicators –  
A Positive Business Environment for Leumi

Israel’s credit rating - Upgraded to AA- by S&P, a  
Positive Business Environment for Leumi

	2016	2017	E2018*	E2019*
GDP, rate of change, real terms	4.0%	3.3%	3.7%	3.4%
Private Consumption	6.1%	3.3%	4.2%	4.3%
Current account surplus, % of GDP	3.8%	3.0%	2.8%	2.2%
Government budget deficit, % of GDP	(2.1%)	(2.0%)	(2.9%)	(2.7%)
Government debt, % of GDP	61%	59%	60%	60%
Unemployment, Annual Average	4.8%	4.2%	3.7%	3.7%
CPI, year-end change	(0.2%)	0.4%	1.0%-1.5%	0.1-1.1%
NIS-USD, average exchange rate	3.84	3.60	3.50-3.70	3.55-3.75
NIS-GBP, average exchange rate	5.21	4.67	4.85-5.05	5.00-5.20
NIS-EUR, average exchange rate	4.25	4.07	4.20-4.40	4.20-4.40
Bank of Israel average interest rate	0.1%	0.1%	0.1%-0.2%	0.25%-0.75%

Source: Central Bureau of Statistics, \*Leumi forecast

