

Leumi Group

1H 2016
Earnings Presentation



The information contained in this 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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The Israeli Economy

- Private consumption continues to lead economic growth
- Fiscal performance on track with long-term debt reduction
- Highly resilient external account position
- Inflation remains very low
- Unemployment low; labor force participation rising

	2014	2015	2016*
GDP, rate of change, real terms	2.6%	2.5%	2.4%
Current account surplus, % of GDP	3.7%	4.7%	4.0
Government budget deficit, % of GDP	(2.7%)	(2.1%)	(2.6%)
Government debt, % of GDP	65.4%	63.2%	64.1%
Unemployment, Annual Average	5.9%	5.3%	5.0%
CPI, year-end change	(0.2%)	(1.0%)	0.1-0.6%
NIS-USD, average exchange rate	3.58	3.89	3.75-3.95
NIS-EUR, average exchange rate	4.76	4.31	4.20-4.40
Bank of Israel average interest rate	0.6%	0.1%	0.1-0.2%

Source: Central Bureau of Statistics, *Leumi forecast



Strong & stable with a leading franchise & market brand

Leading digital banking in Israel

- Launching this year: **PEPPER.** – mobile banking
 - Only Israeli organization named one of the 2016 CIO 100 Award winners by IT CIO magazine
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Performance

- Solid credit growth and net interest income
 - High asset quality; low NPL ratio
 - Leading capabilities in credit risk management
 - Strong liquidity
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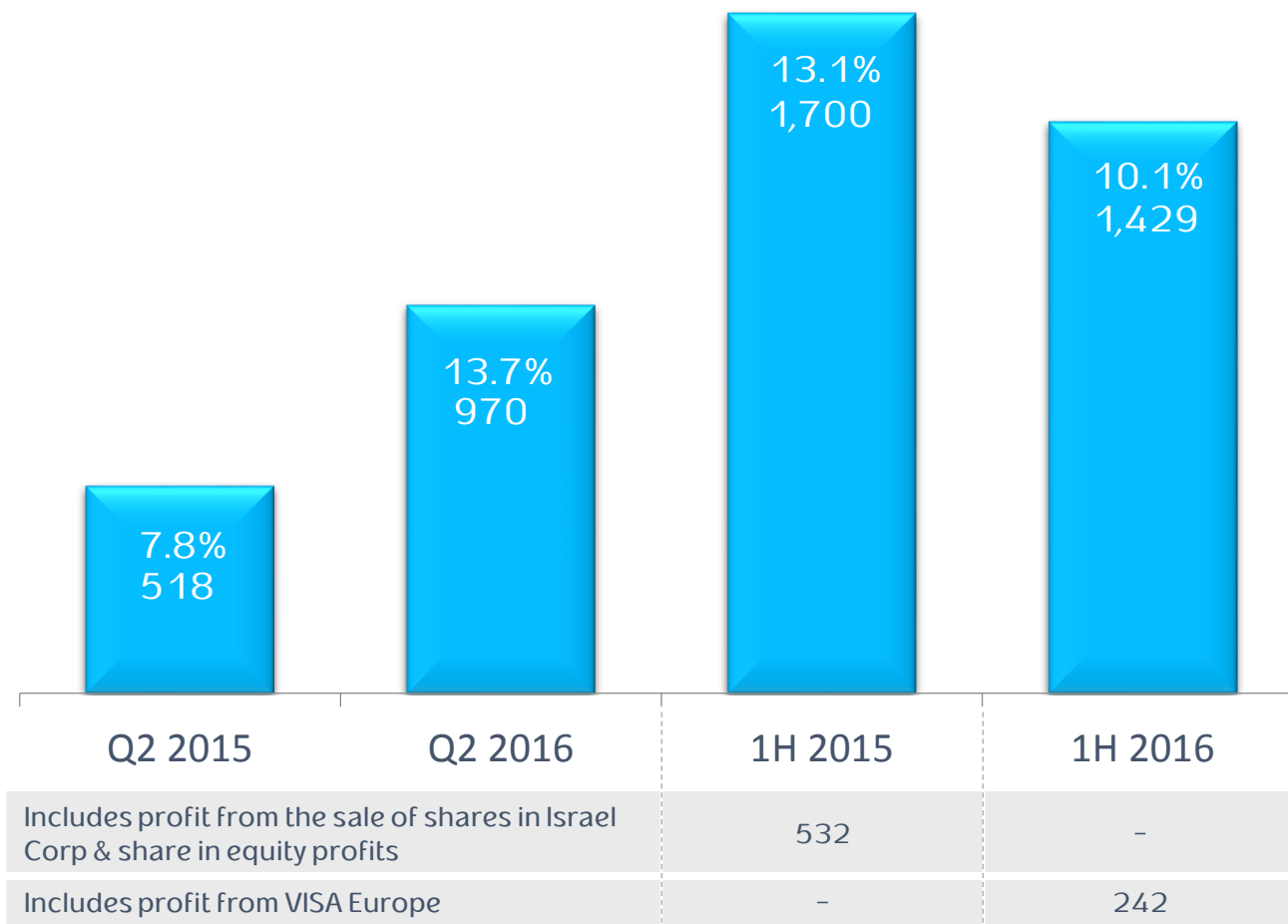
Profit generation

- Diversified revenue mix
- Continuing to increase market share of high RoE segments
- Leading market share in the middle market sector



Net profit and RoE

NIS millions

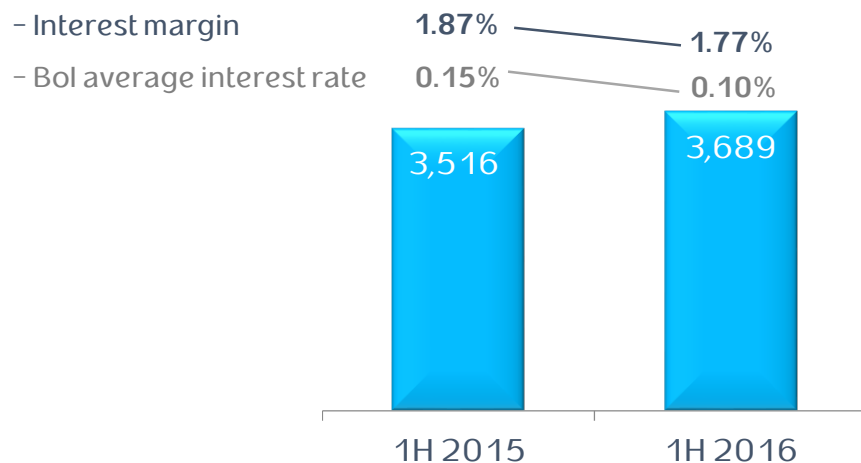


Highlights

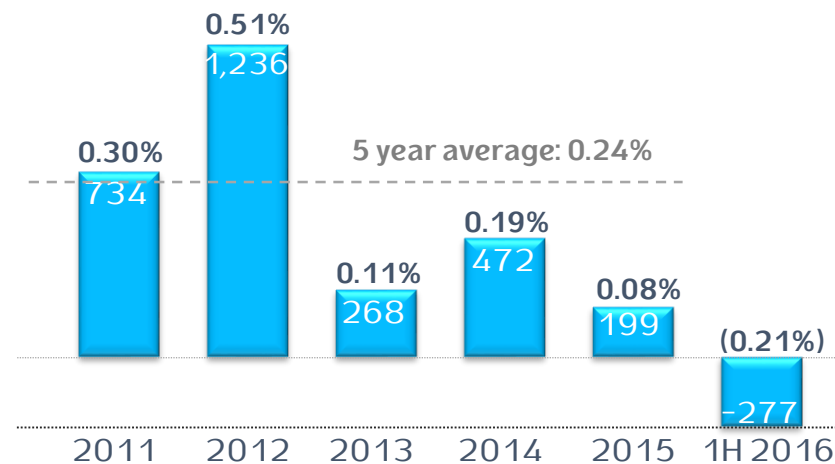
NIS millions

	1H 2016	1H 2015	Δ%
Net Interest Income	3,689	3,516	4.9
Expenses (income) for credit losses	(277)	93	-
Net interest income after expenses for credit losses	3,966	3,423	15.9

Net interest income

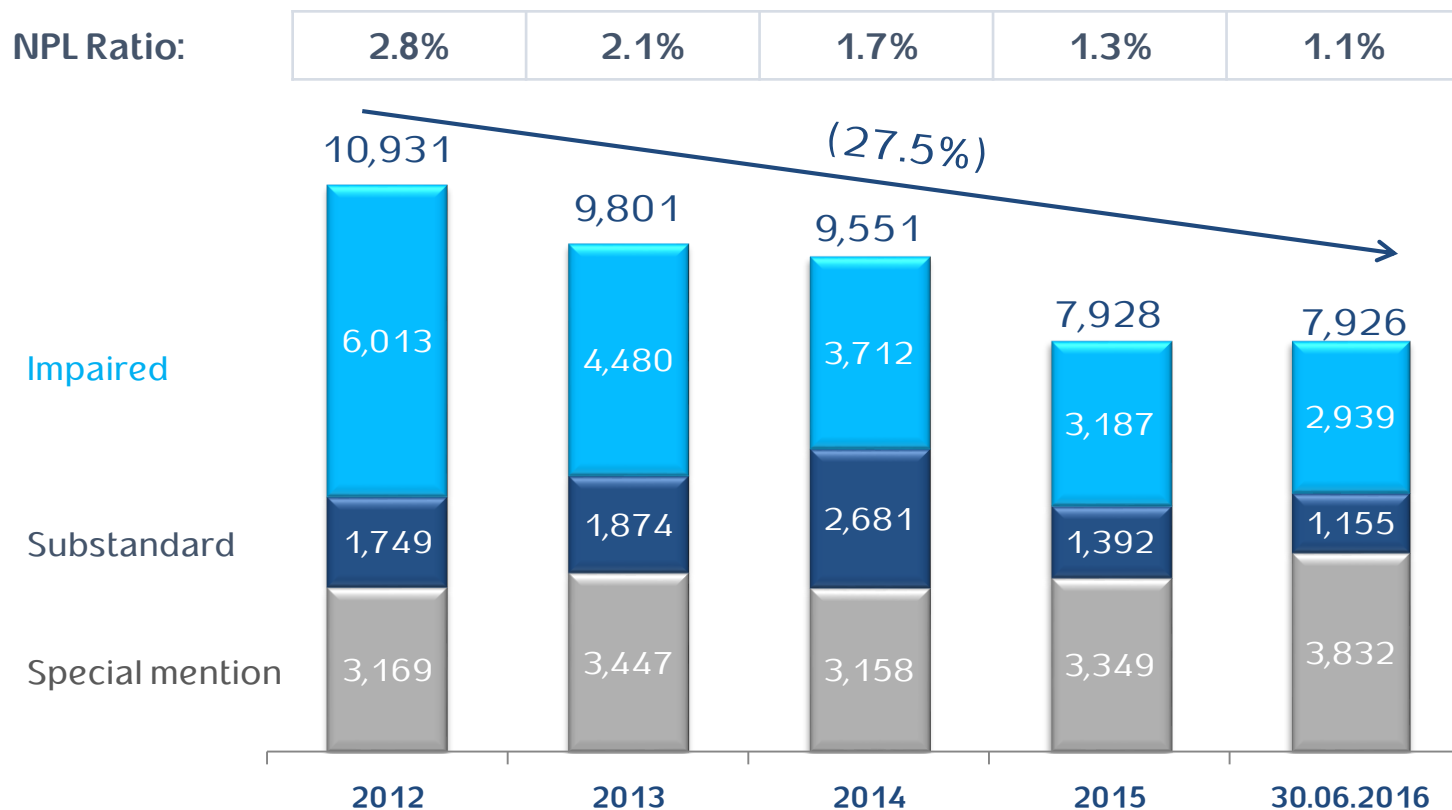


Low provisions reflect high quality credit portfolio



Problematic debts, low NPL ratio

NIS millions



Net credit by operating segments

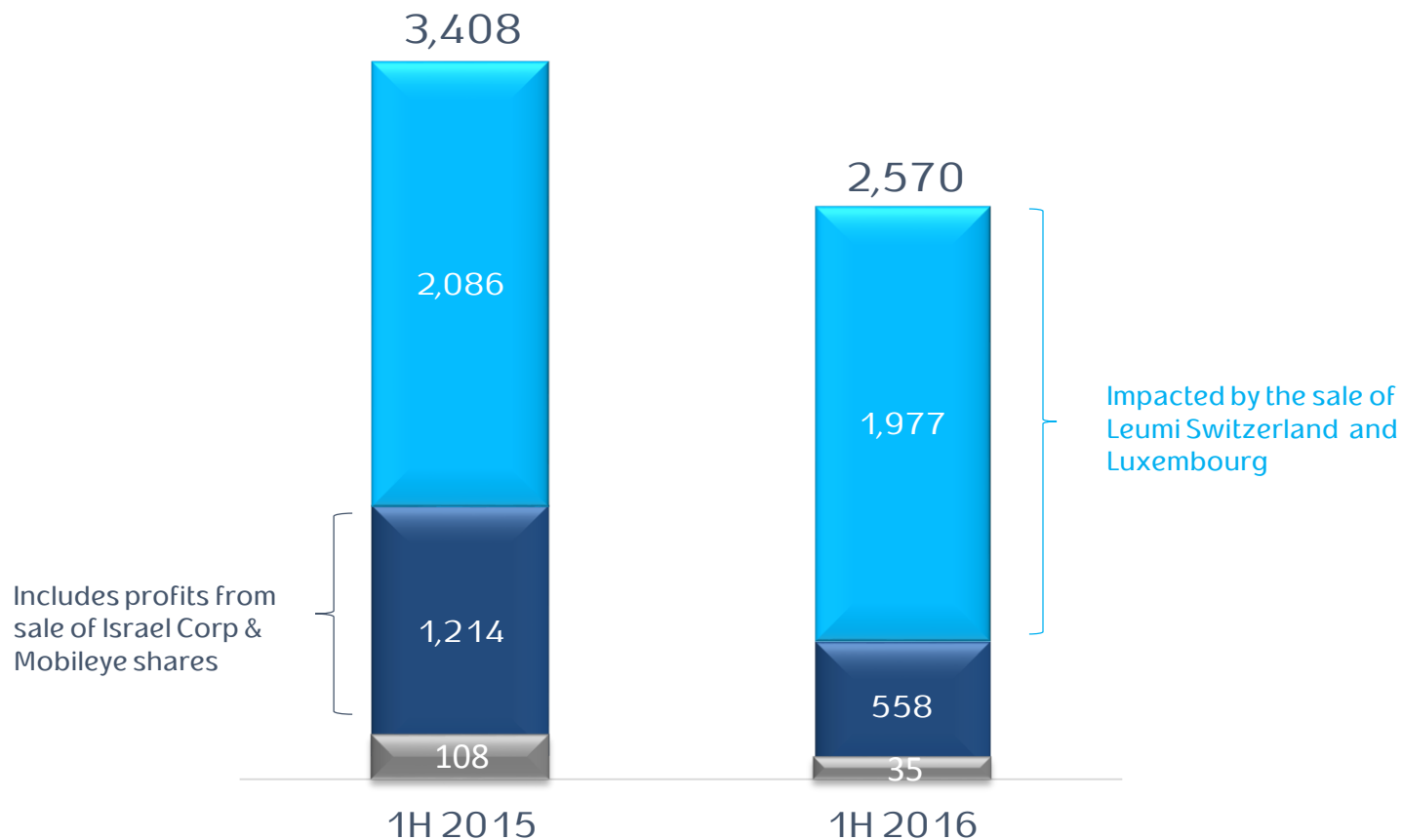
NIS millions

	30.6.2016	30.6.2015	Δ %
Banking	140,443	133,903*	4.9
* Adjusted to include AI Bank, merged 31.12.2015			
Commercial	34,049	30,857	10.3
Corporate & Real estate	55,409	56,676	(2.2)
Capital market	3,540	2,969	19.2
Other & adjustments	2,853	2,669	6.9
Israel subsidiaries	6,914	5,825*	18.7
* Adjusted to exclude AI Bank, merged 31.12.2015			
Subsidiaries abroad	22,840	21,649	5.5
Total	266,048	254,548	4.5



Noninterest income

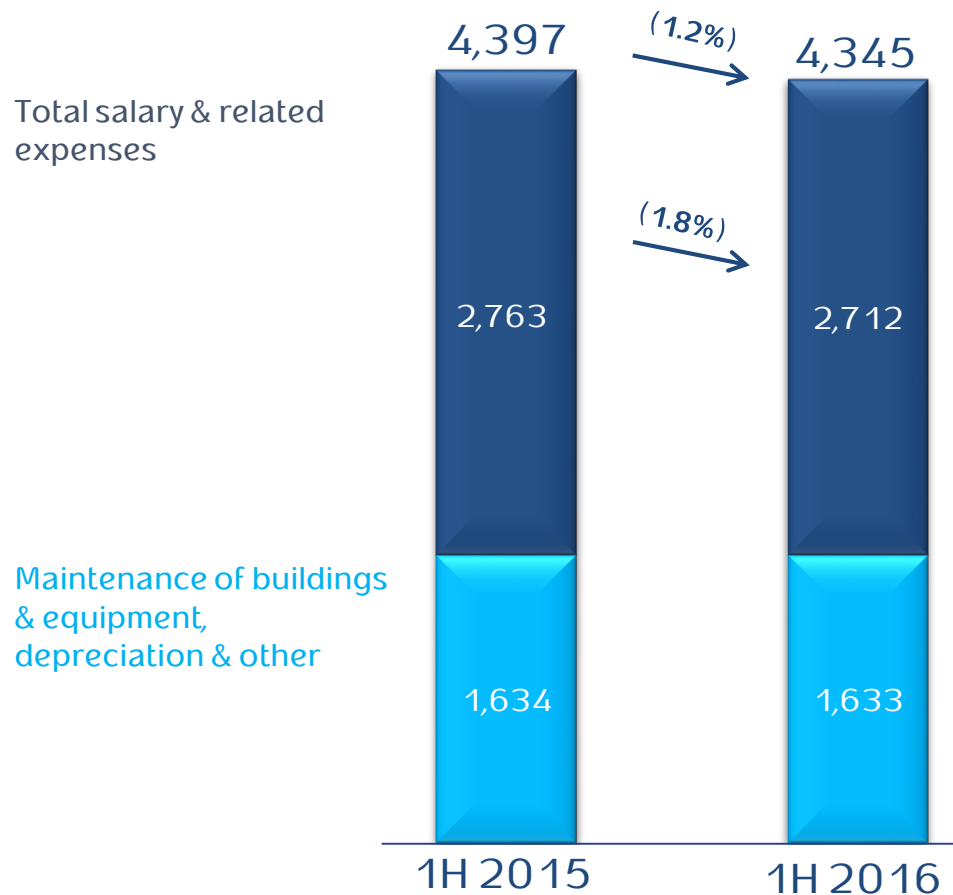
NIS millions



- Commissions
- Noninterest financing income
- Other Income

Total operating and other expenses

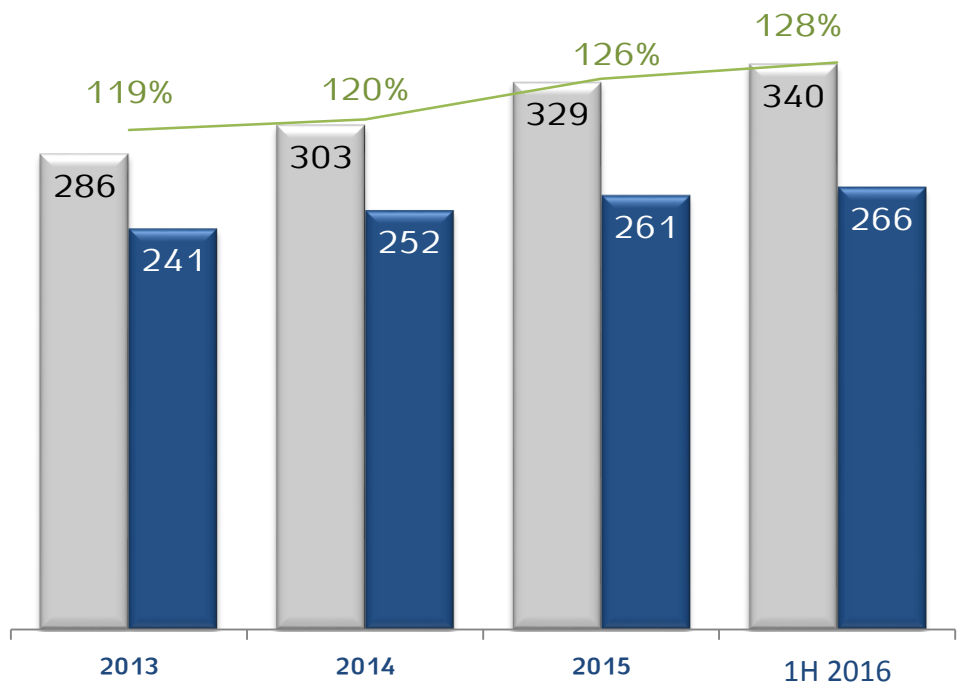
NIS millions



Strong liquidity

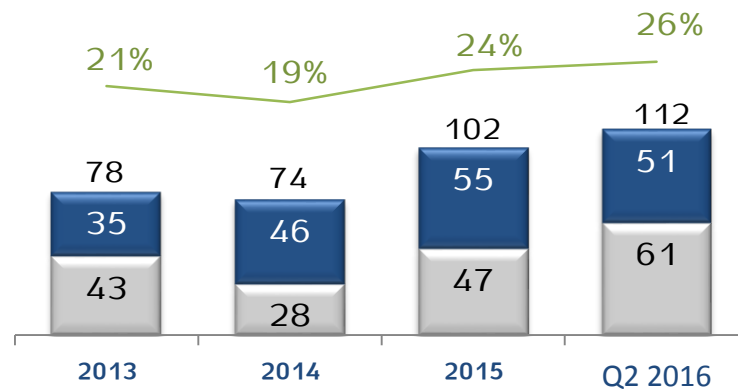
NIS billions

Deposits and Credits



Deposits of the public Credit to the public, net Deposits / Credits

Liquidity Buffer Main Components

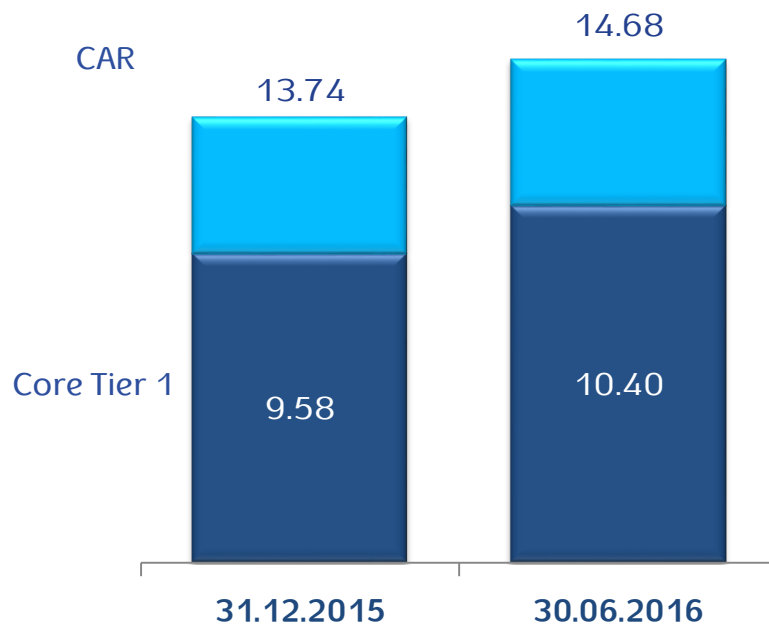


Israel & Foreign Government Bonds
Cash & Deposits with Central Banks
Total / Balance Sheet



Capital Adequacy

Capital to risk weighted assets, %, Basel III



Bank of Israel Capital Adequacy Targets January 1, 2017:

- Tier I Capital Ratio 10.3%
- Total Capital Ratio 13.5%

Leumi's Capital Plan December 31, 2017:

- Tier I Capital Ratio 10.5%



Leading digital banking in Israel

PEPPER.

1st bank in Israel to develop mobile banking –to be launched this year

Based on the newest and most innovative technology

Emphasis on simplicity, transparency and convenience

Greater IT capabilities – costs significantly less

More efficient retail model with a friendly and intuitive platform



Thank you

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