



2014 Earnings Presentation



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>> Israeli economy

- Last summer's geopolitical instability appears to have had only a brief impact on growth, which is expected to rise in 2015
- Fiscal performance remains on track with long-term targets
- No net foreign debt and high level of FX reserves
- Inflation remains very low despite gradual weakening of the shekel
- Low unemployment

Main Macroeconomic Variables	2013	2014*	2015**
Annual Rates of Change, Real Terms			
GDP	3.2%	2.8%	3.5%
GDP net of technical impact of gas inclusion	2.3%	2.4%	--
Percentage of GDP			
Current account surplus(+)/deficit (-)	2.4%	3.0%	3.7%
Gov't budget surplus (+)/deficit (-)	(3.1%)	(2.8%)	(2.6%)
Gov't debt (central)	66%	67%	68%
Annual Average			
Unemployment rate (using new data definitions)	6.2%	5.8%	5.6%
Additional Data			
Consumer price index, year-end change	1.8%	(0.2%)	(0.1%)~0.5%
Shekel / US\$ average exchange rate	3.61	3.58	3.90-4.10
Shekel / EUR average exchange rate	4.80	4.76	4.30-4.50
Bank of Israel average interest rate	1.4%	0.6%	0.0%-0.5%

Source: *Central Bureau of Statistics
**Leumi forecast



Principal Results

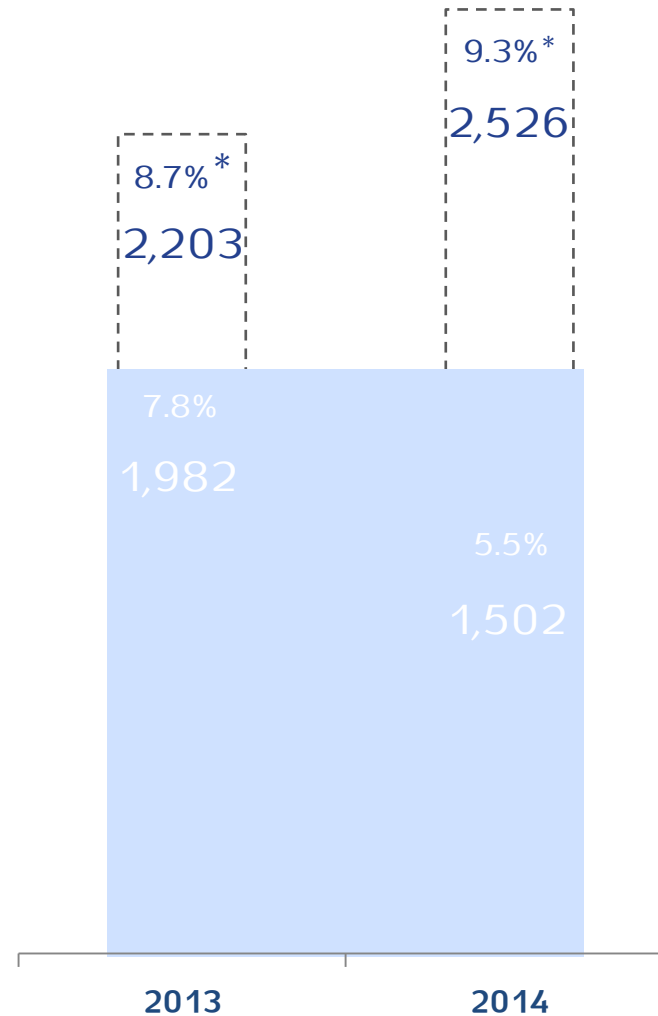
NIS millions

	2014	2013	Δ%
Net Interest income	7,363	7,357	0.1
Noninterest income	5,173	5,517	(6.2)
Total Income	12,536	12,874	(2.6)
Expenses (income) in respect of credit losses	472	268	76.1
Operating & other expenses excluding expenses for foreign customers	8,285	8,656	(4.3)
Share of bank in associated companies	42	(293)	+
Net Profit RoE	1,502 5.5%	1,982 7.8%	(24.2)
Net Profit RoE excluding expenses for foreign customers	2,526 9.3%	2,203 8.7%	14.7

>> Net profit and RoE

NIS millions

	Net Profit	RoE
Q4 2013	356	5.6%
Q4 2014	(111)	(1.6%)



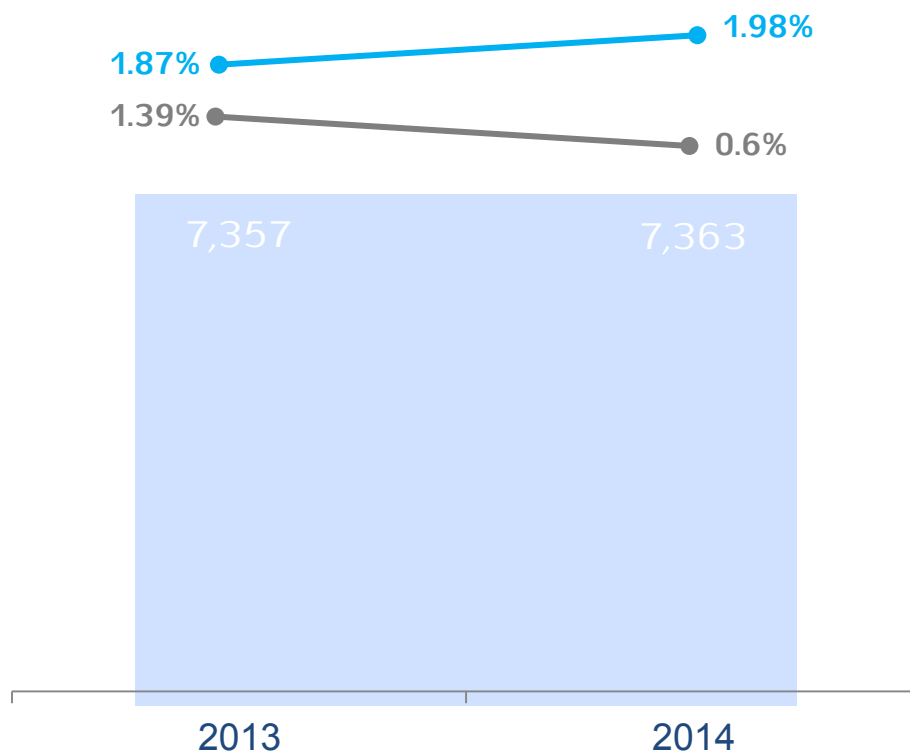
*Excludes expenses for foreign customers, before tax: 2013 (236m); 2014 (1,026m)



Net interest income up despite low interest rates

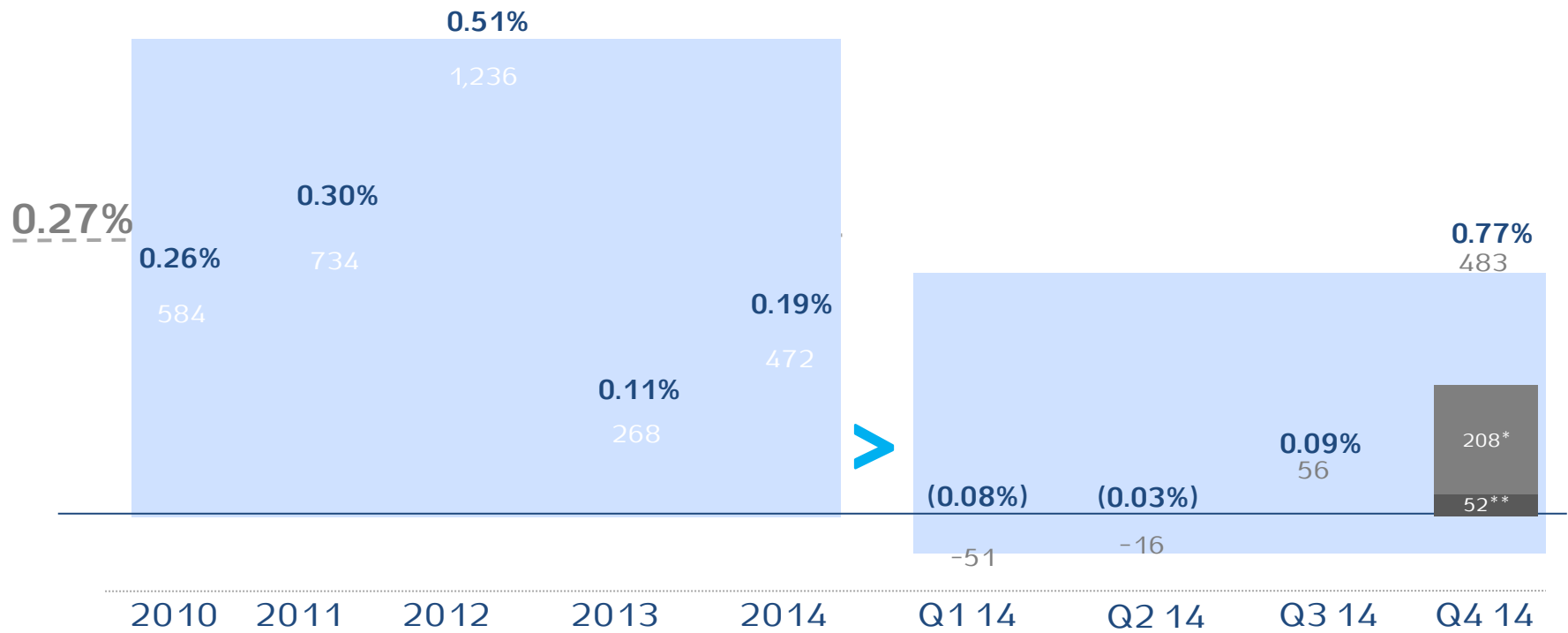
NIS millions

- Interest margin accumulated for the period end
- Average Bol interest rate



>> Rate of provision significantly below 5 year average

NIS millions



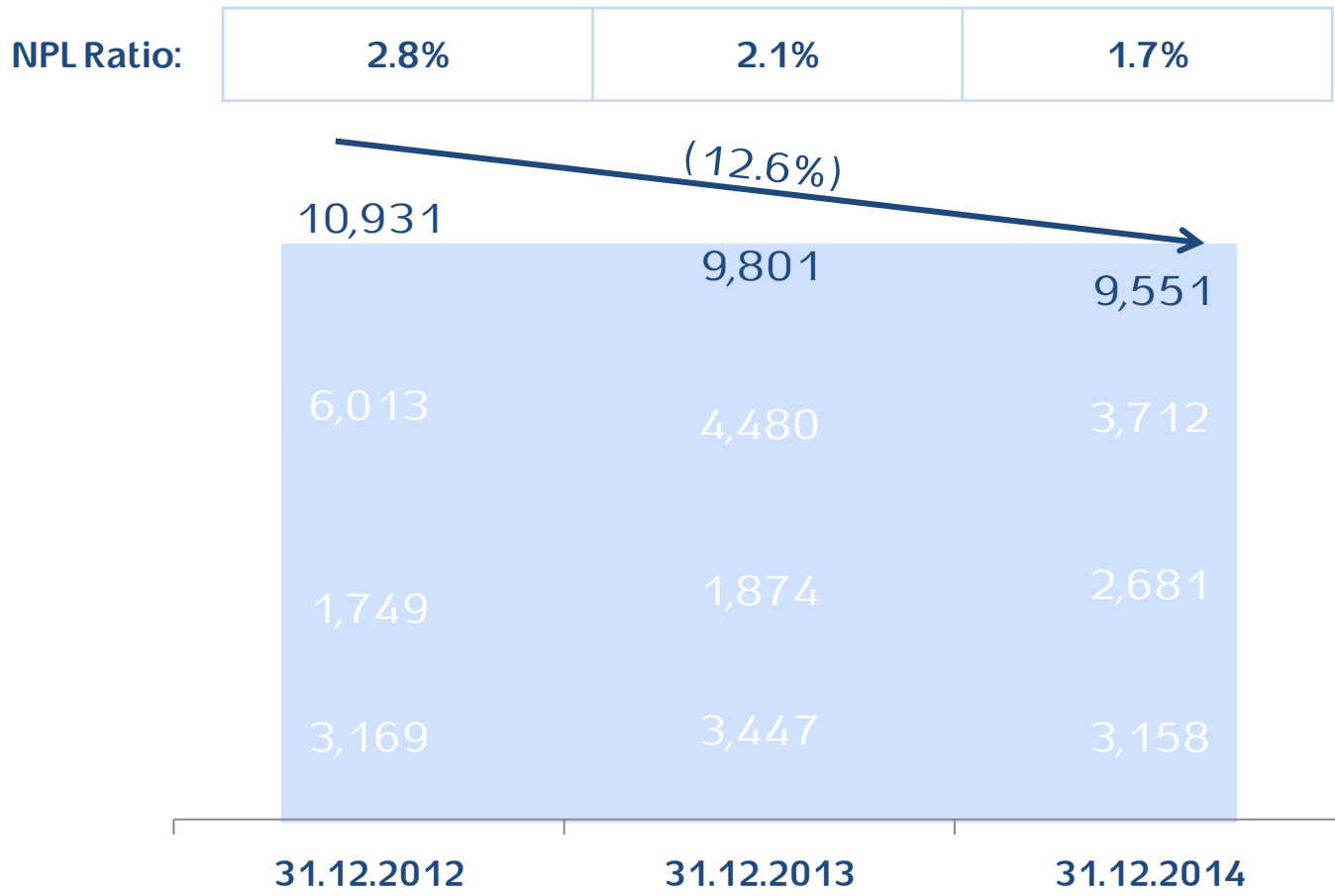
* NIS208m derives from initial implementation of Bank of Israel directive for collective allowance in respect of credit to private individuals

** NIS 52m derives from Romanian Central Bank requirement to increase provisions for non-performing loans



Low NPL ratio; declining problem debts

NIS millions



Impaired debts Substandard debts Debts under special mention

>> Commission revenue stable and diverse

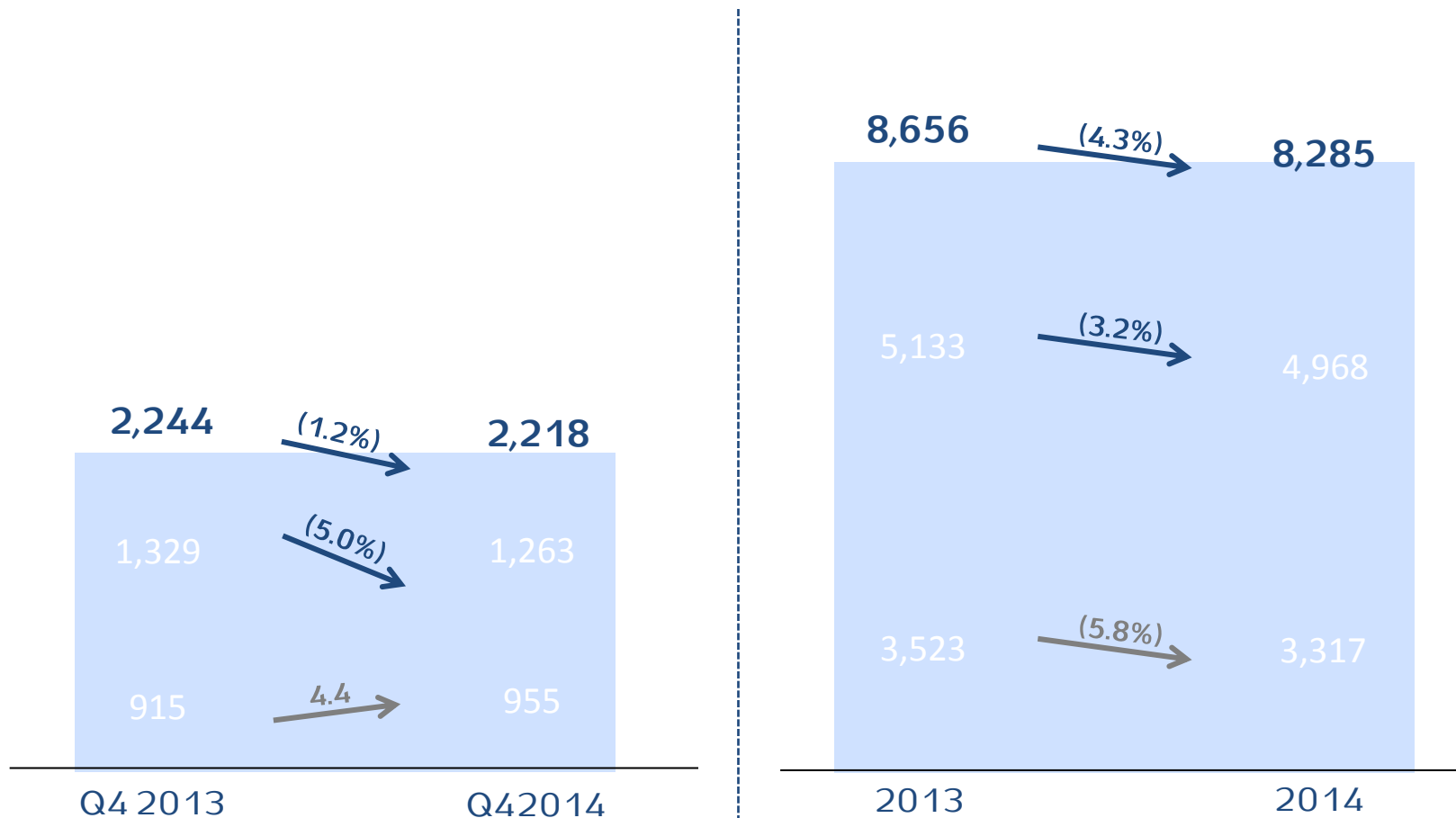
NIS millions

	2013	2014	Δ %
Securities Transactions*	1,066	1,102	3.4
Account Management	833	821	(1.4)
Credit Cards	907	939	3.5
Credit Handling	332	196	(41.0)
Conversion differences	289	318	10.0
Commissions from financing transactions	450	487	8.2
Other Fees	311	304	(2.3)
Total	4,188	4,167	(0.5)

* Includes financial product distribution commissions

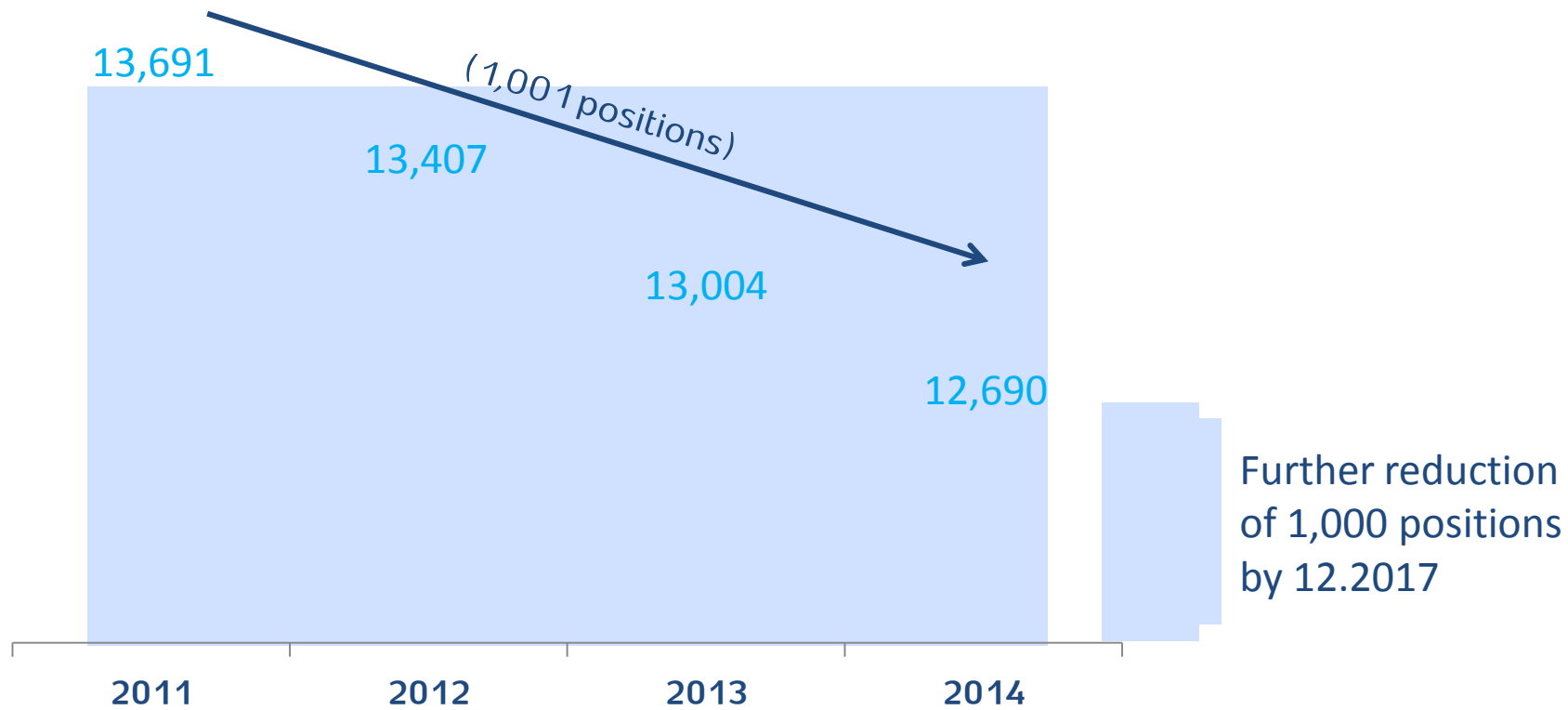
>> Total operating and other expenses down excludes expenses for foreign customers

NIS millions



Salary & related expenses Maintenance of buildings & equipment, depreciation & other expenses

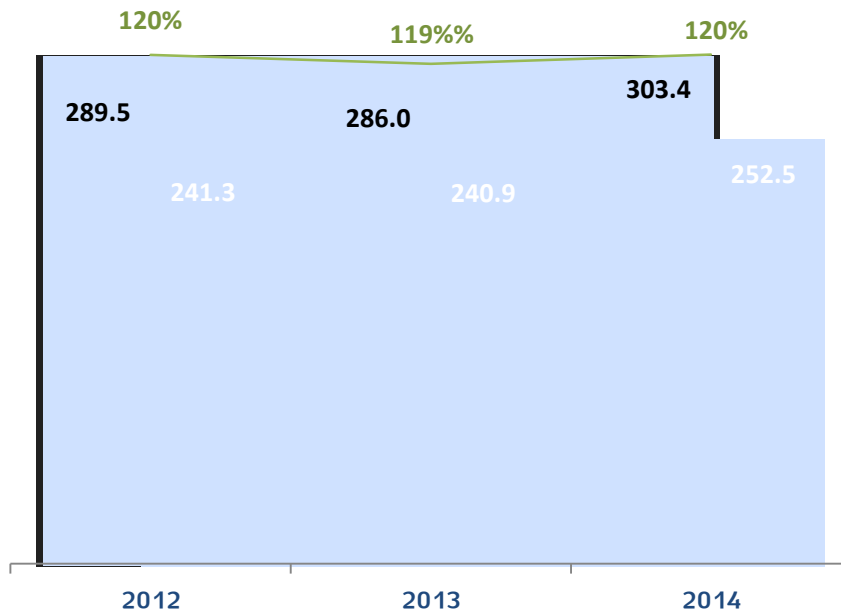
>> Reduction of Group positions



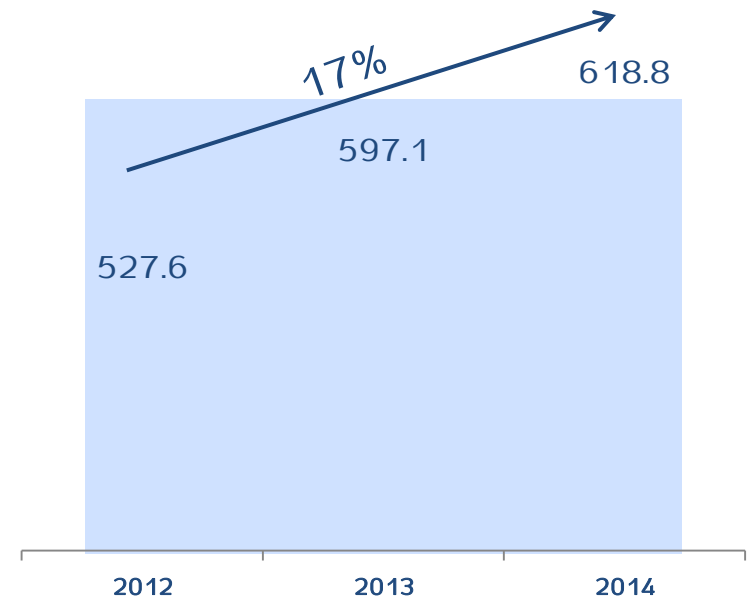
>> Strong liquidity; increase in off-balance sheet

NIS billions

Deposits to Credits



Off-balance sheet securities portfolio including mutual funds





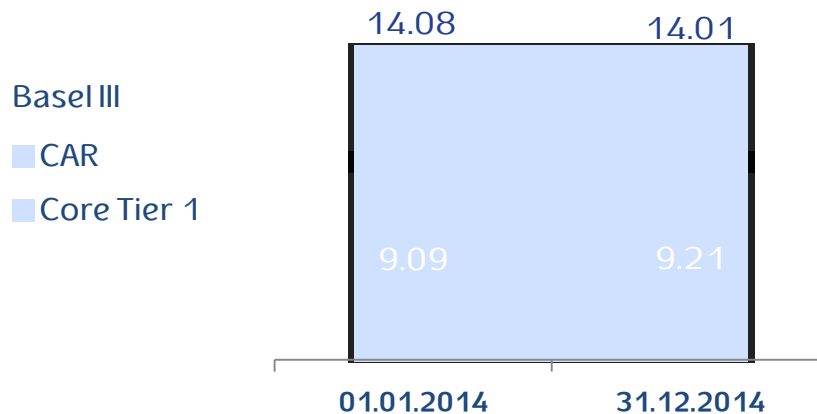
Credit growth

Retail constitutes 56% of total credit to the public

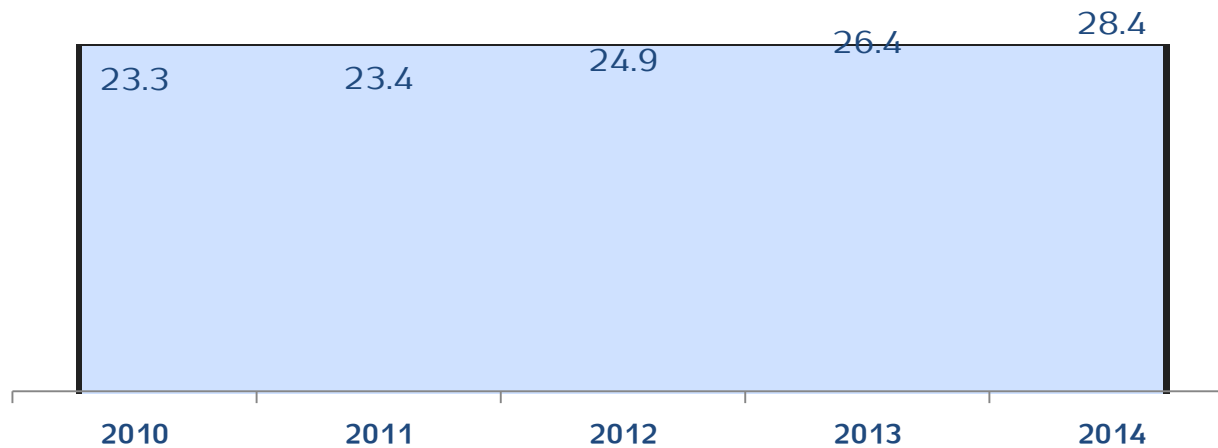
NIS billions

	31.12.2014	31.12.2013	Δ %
Households	110.7	100.2	10.4
Of which: Housing loans	74.2	68.6	8.3
Small Businesses	24.0	23.3	3.2
Private Banking	5.9	6.5	(8.9)
Total Retail	140.6	130.0	8.2
Corporate Banking	58.8	60.7	(3.1)
Commercial Banking	52.6	49.6	6.0
Financial Management & Others	0.5	0.6	(19.3)
Total Corporate	111.9	110.9	0.9
Total Credit	252.5	240.9	4.8

Capital to risk weighted assets, %



Capital development, NIS billions





Achievements: successful execution of strategic plan



Focus on Israel



Continuing to reduce operating expenses and headcount



Leading the digital revolution and transforming the bank for the future



Strong focus on business development



First of the Israeli banks to conclude US customer investigation with DOJ and NYDFS



Leading market share in the Israeli banking system in retail and middle market credit and deposits from the public



Executing non-banking holdings strategy

>> What's next: Digital Bank

Bringing banking to our customers

No branches

24/7

Greater IT capabilities – costs significantly less

Less operational risks and reduced exposure to fraud

Inexpensive platform – simple, friendly and intuitive

Simpler retail model – more efficient





התמונה
לא נבדקת
לפי הגדרותיך