



# 1H 2015 Earnings Presentation



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# >> The Israeli economy

- Consumption based growth in 2015
- Fiscal performance on track with long-term debt reduction
- No net foreign debt ; high FX reserves
- Inflation remains very low
- Unemployment low; labor force participation rising

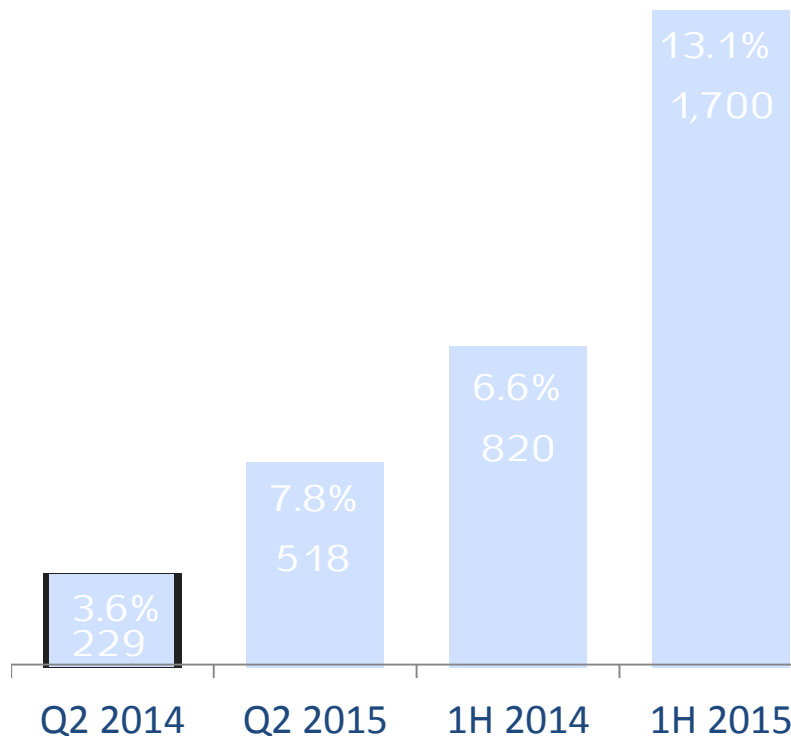
	2013	2014	2015
GDP (rate of change, real terms)	3.3%	2.6%	2.6%
% of GDP			
Current account surplus	2.8%	3.7%	3.9%
Gov't budget deficit	(3.1%)	(2.7%)	(2.8%)
Central Gov't debt	66%	65%	67%
Annual Average			
Unemployment (using new data definitions)	6.2%	5.9%	5.3%
Additional Data			
CPI, year-end change	1.8%	(0.2%)	-0.4~+0.1%
Shekel / USD average exchange rate	3.61	3.58	3.80-4.00
Shekel / EUR average exchange rate	4.80	4.76	4.20-4.40
Bank of Israel average interest rate	1.4%	0.6%	0.0%-0.2%



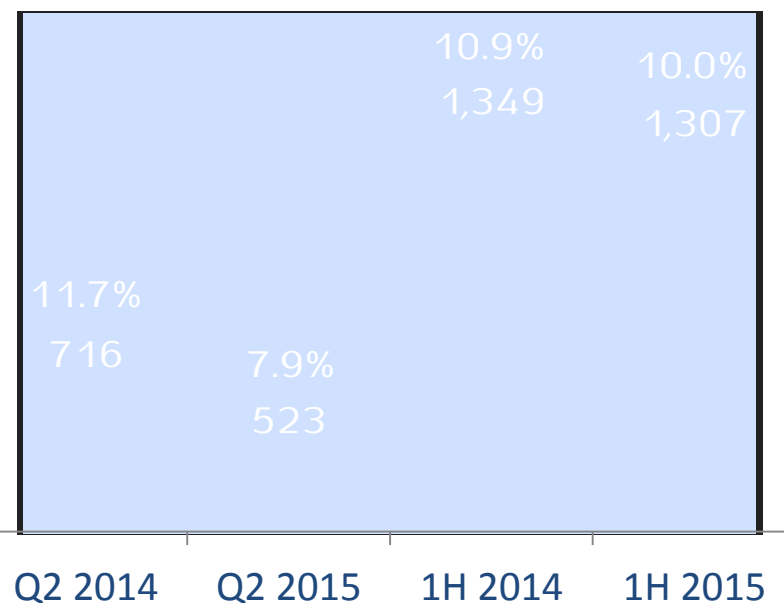
# Net profit and RoE

NIS millions

## Reported Net Profit and ROE



## Proforma Net Profit and ROE\*



*Excludes expenses for arrangements with foreign authorities	(487)	(5)	(529)	(25)
*Excludes profit from the sale of shares in the Israel Corporation	-	-	-	418



# Principal Results

NIS millions

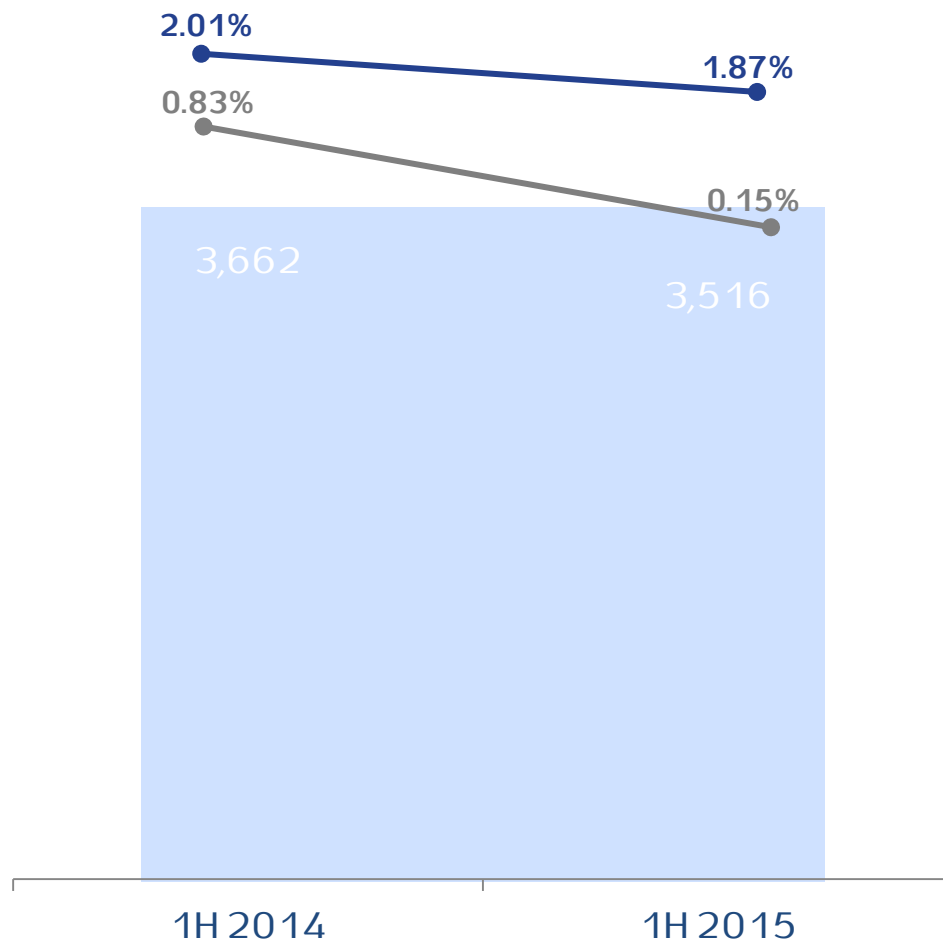
	1H 2015	1H 2014	Δ%
Net Interest income	3,516	3,662	(4.0)
Noninterest income	3,408	2,652	28.5
Total Income	6,924	6,314	9.7
Expenses (income) in respect of credit losses	93	(67)	-
Total operating & other expenses	4,397	4,814	(8.7)
Share of bank in associated companies	146	(51)	+
Net Profit   ROE	1,700   13.1%	820   6.6%	+



# Net interest income

NIS millions

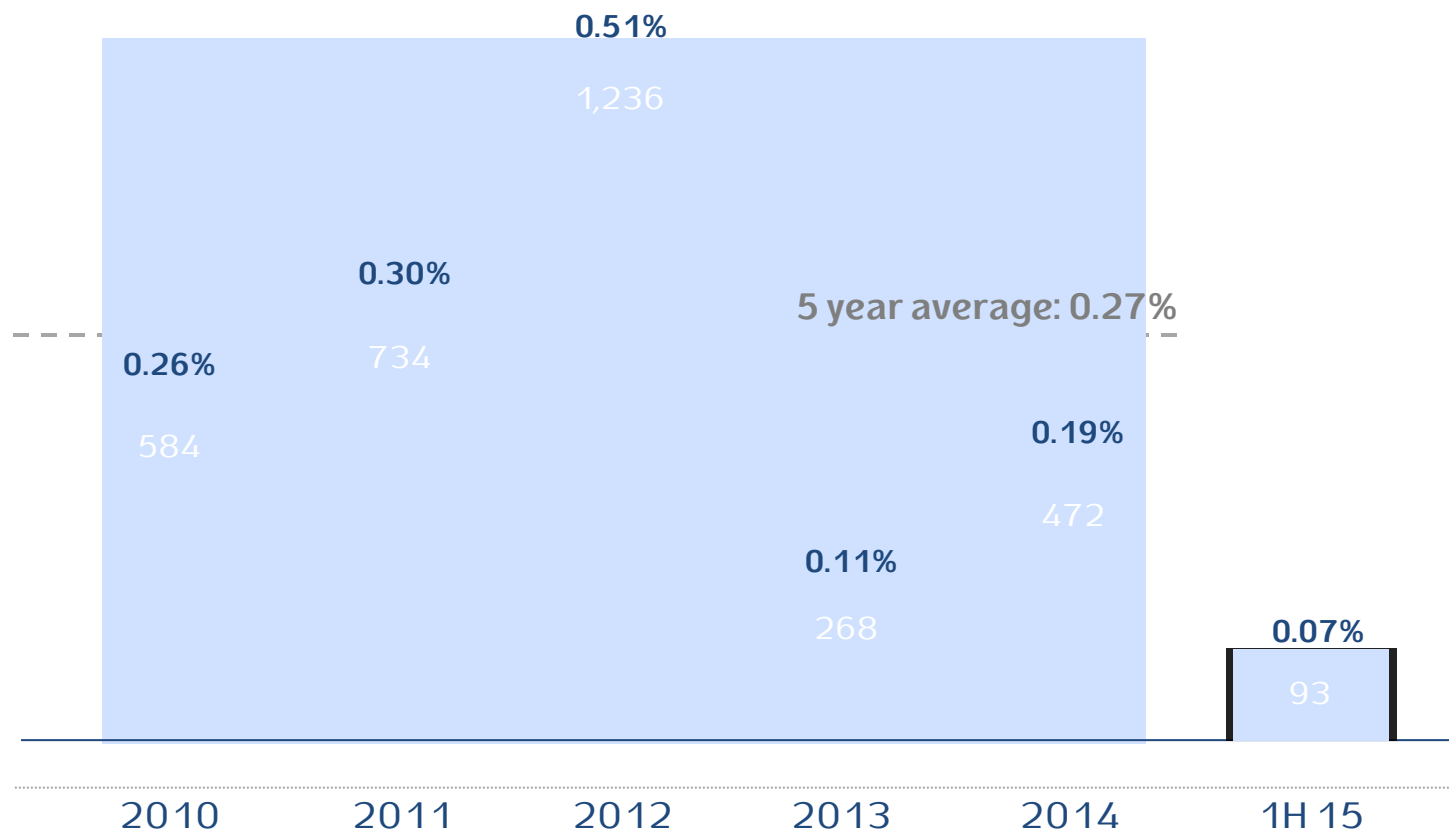
- Interest margin
- Bol average interest rate





# Low provision rate reflects high quality credit portfolio

NIS millions

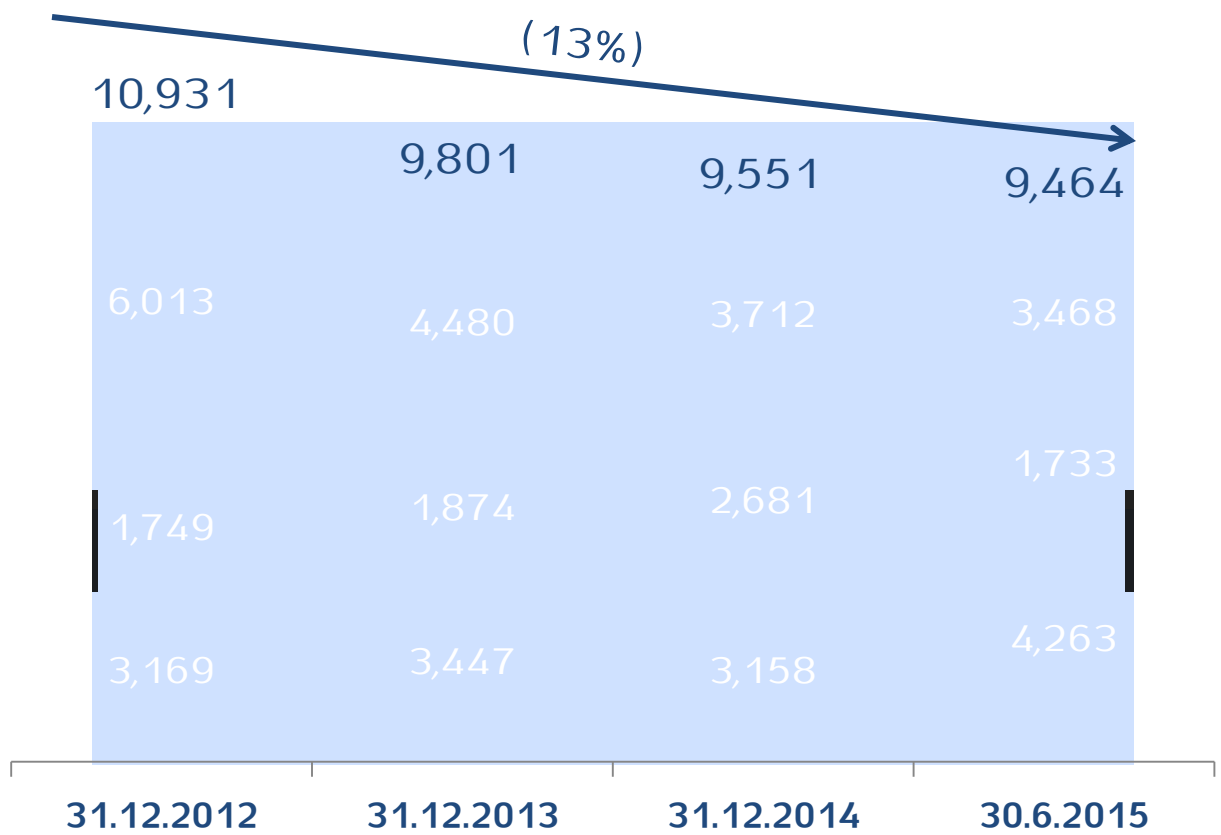




# Low NPL ratio; declining problem debts

NIS millions

NPL Ratio:		2.1%	1.7%	1.6%
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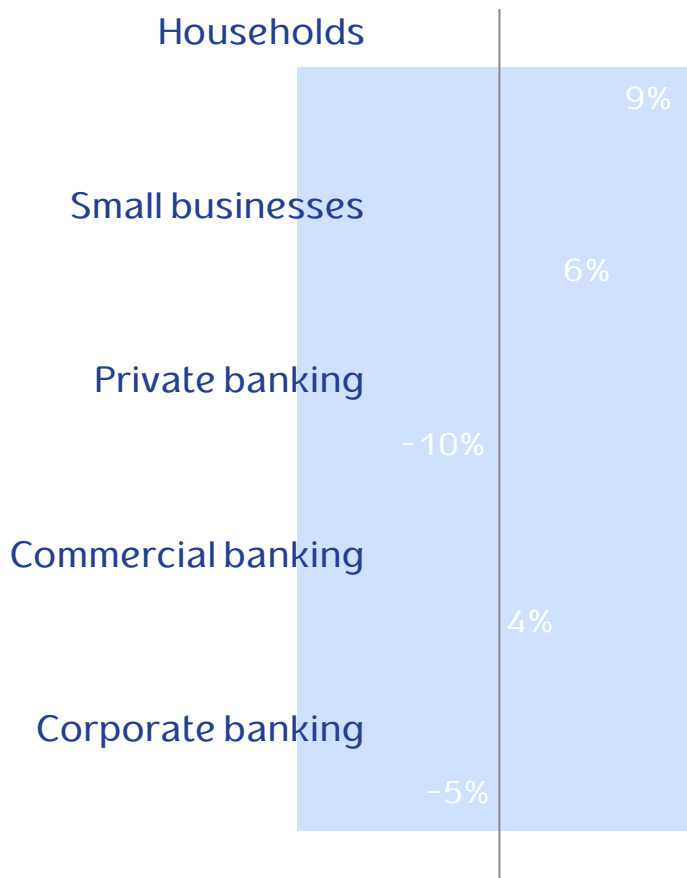
Impaired debts
Substandard debts
Debts under special mention



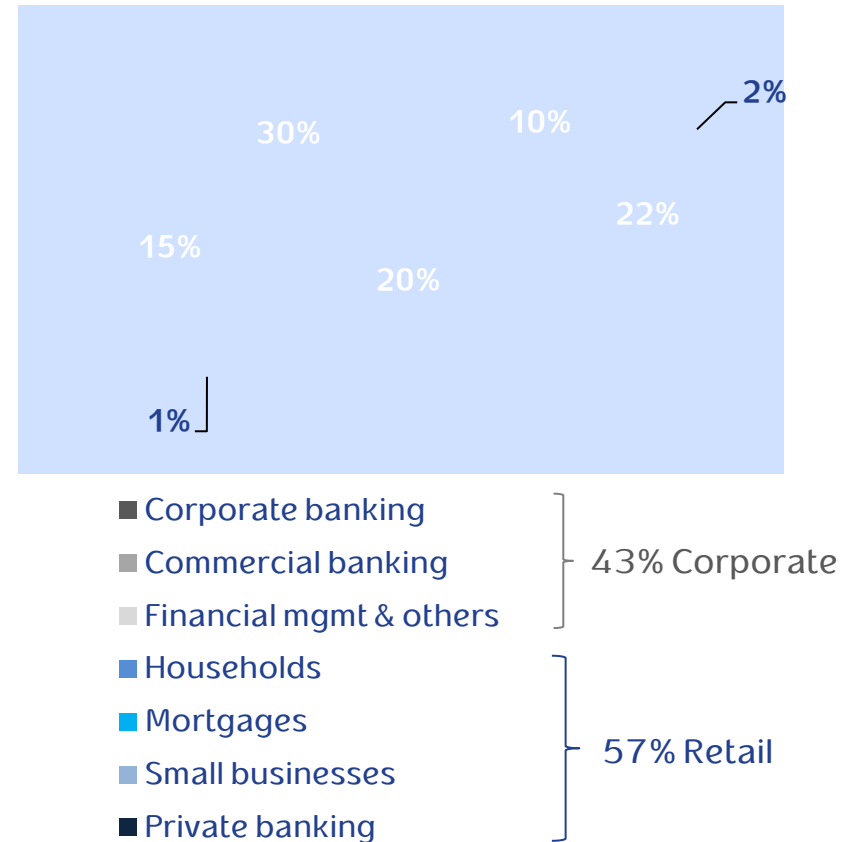


# Diversified credit portfolio with focus on higher RoE segments

Growth of loan portfolio by segment  
2010-1H 2015  
CAGR



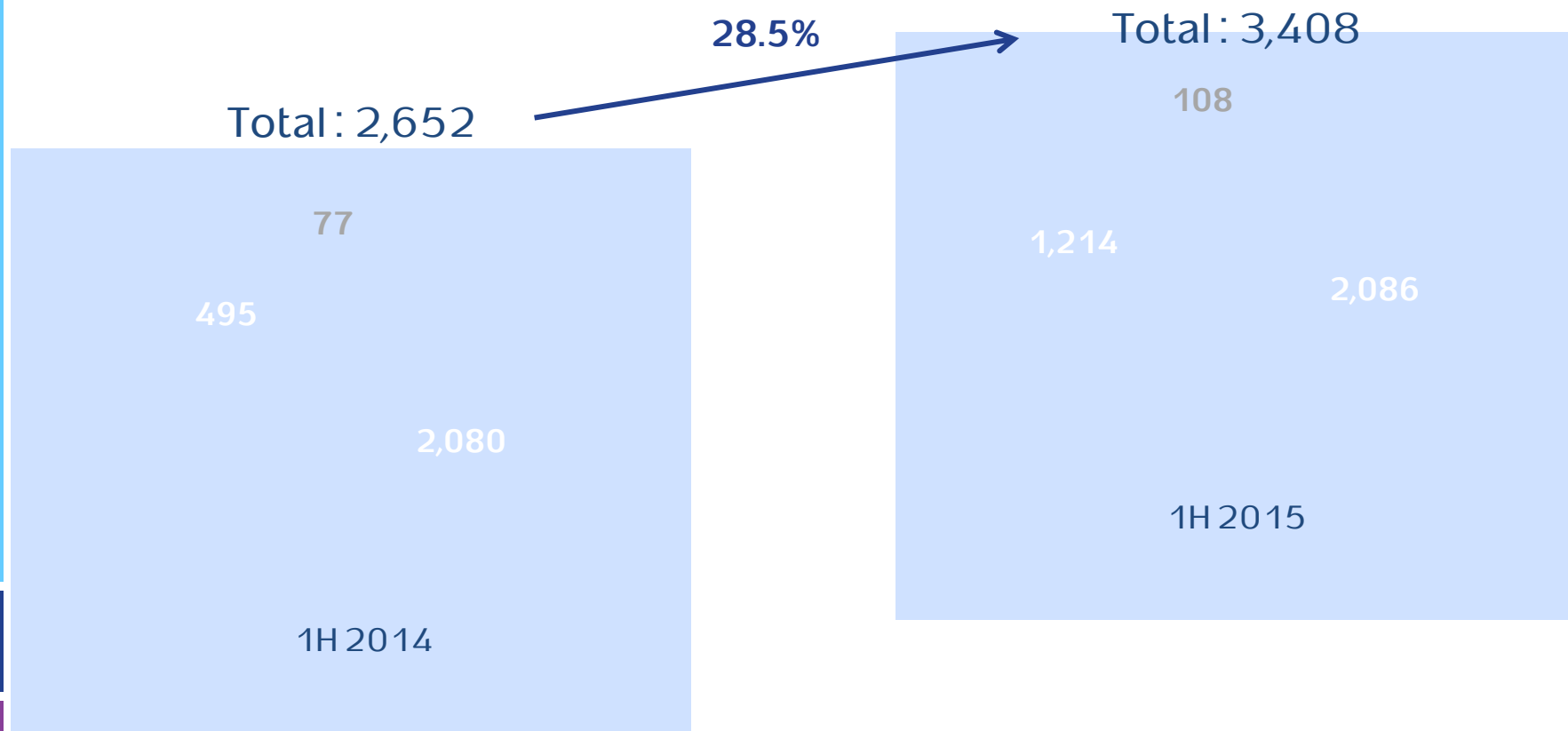
Composition of loan portfolio by segment  
1H 2015





# Non-interest income

NIS millions



Operating Commissions   Non-interest financing income   Other income

## >> Commission revenue stable and diverse

NIS millions

	1H 2015	1H 2014	Δ%
Securities transactions*	523	556	(5.9)
Account management	397	413	(3.9)
Credit cards	466	465	0.2
Credit handling	110	103	6.8
Conversion differences	160	155	3.2
Financing transactions	265	236	12.3
Other fees	165	152	8.6
<b>Total</b>	<b>2,086</b>	<b>2,080</b>	<b>0.3</b>

Reduction resulting mainly from the sale of Leumi Switzerland in March 2015

\* Includes financial product distribution commissions



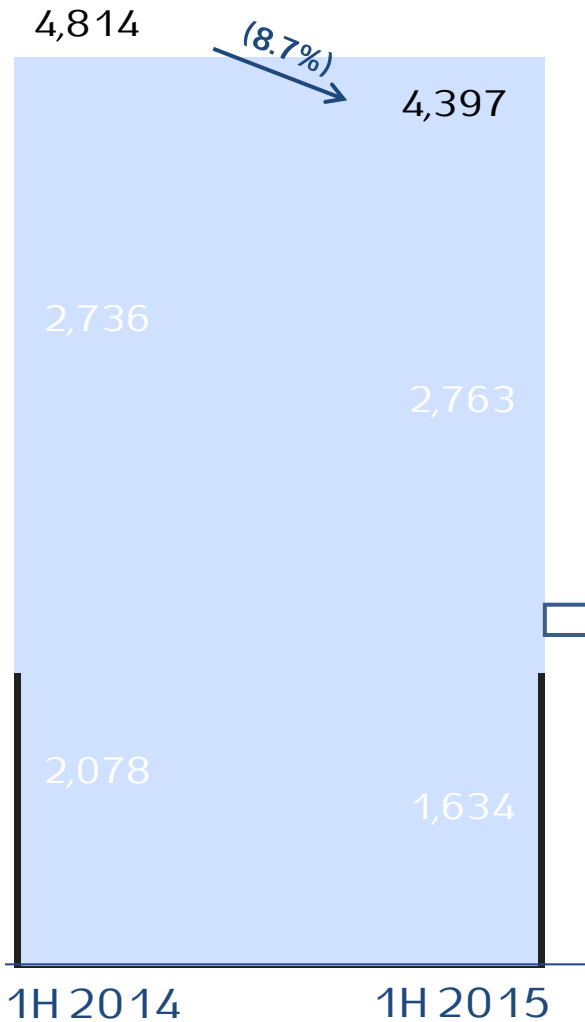
# Non-interest financing income

NIS millions

	1H 2015	1H 2014
Net income (expense) in respect of derivative instruments and net exchange rate differences	130	(3)
Profits from the sale of available-for-sale bonds, net	119	117
Profits from investments in shares including dividends, excluding Israel Corp., Mobileye, Partner and Tower	255	33
Realized and unrealized profits from adjustments of tradable bonds and shares to fair value, net	(100)	217
	<b>404</b>	<b>364</b>
Profit from the sale of shares in Israel Corp.	522	-
Profit from the sale of shares in Mobileye	288	
Profit from the sale of shares in Partner and Tower		131
<b>Total</b>	<b>1,214</b>	<b>495</b>

# >> Total operating and other expenses

NIS millions



	1H 2014	1H 2015
Salaries	2,008	1,836
Bonus	161	383
Post-retirement defined and other benefit expenses	567	544
Total salaries and related expenses	2,736	2,763

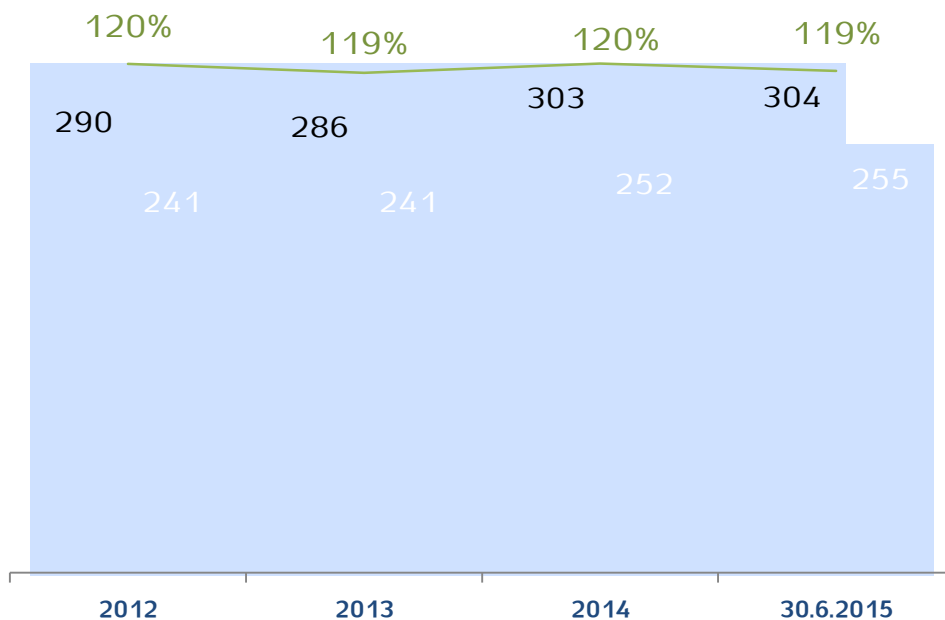
**Total salary & related expenses** Maintenance of buildings & equipment, depreciation & other (includes expenses for arrangements with foreign authorities as shown on slide 4)



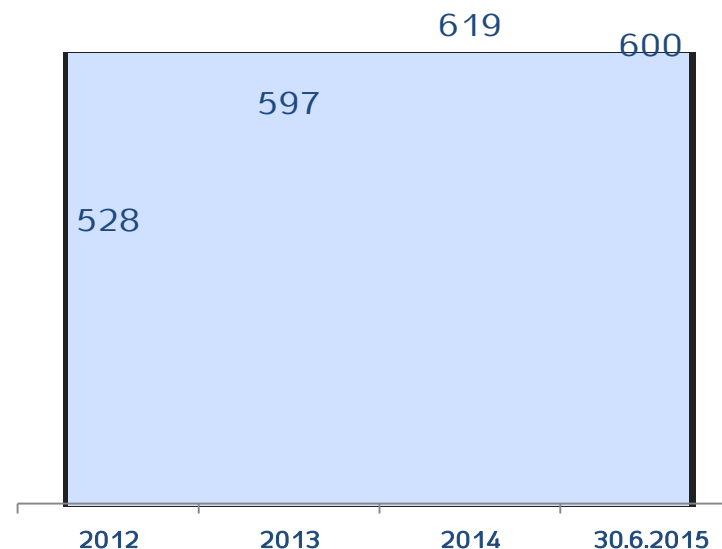
# Strong liquidity

NIS billions

### Deposits and Credits



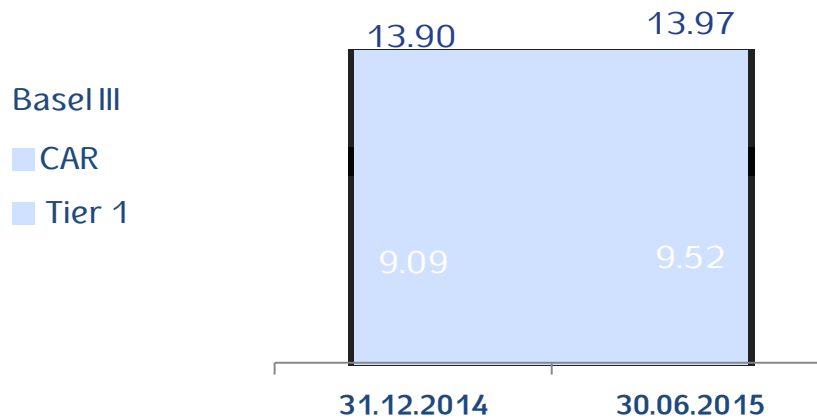
### Off-balance sheet securities portfolio including mutual funds



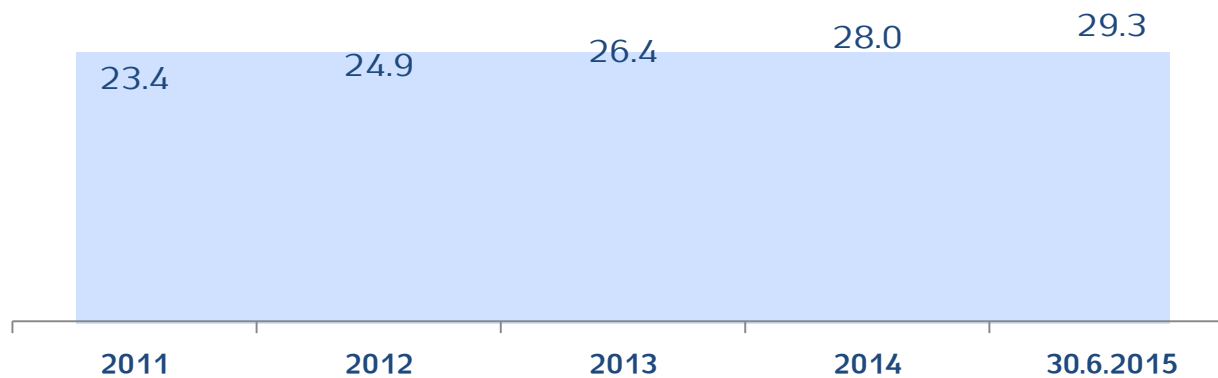
■ Deposits of the public   
 ■ Credit to the public   
 ■ Deposits / Credits

# >> Capital








## Capital to risk weighted assets, %



## Capital development, NIS billions



# >> Successfully executing strategy

-  Focus on Israel
-  Leading the digital revolution and transforming the bank for the future
-  First of the Israeli banks to conclude US customer investigation with DOJ and NYDFS
-  Executing non-banking holdings strategy
-  Continuing streamlining, including merger of AI Bank into retail division and headcount reduction
-  Strong focus on business development
-  Leading market share in the Israeli banking system in middle market credit and deposits from the public





התמונה  
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