

Leumi Group

Q1 2016
Earnings Presentation



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The Israeli Economy

- Private consumption led growth in 2015
- 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%	2.6%
Current account surplus, % of GDP	3.7%	4.9%	3.6%
Government budget deficit, % of GDP	(2.7%)	(2.1%)	(3.0%)
Government debt, % of GDP	65%	65%	66%
Unemployment, Annual Average	5.9%	5.3%	5.3%
CPI, year-end change	(0.2%)	(1.0%)	0.0-0.5%
NIS-USD, average exchange rate	3.58	3.89	3.70-3.90
NIS-EUR, average exchange rate	4.76	4.31	4.15-4.35
Bank of Israel average interest rate	0.6%	0.1%	0.1-0.2%

Source: Central Bureau of Statistics, *Leumi forecast



Key takeaways

Capital

- Capital Plan : steps taken to meet required capital levels
- CoCo Issuance

Performance

- Solid credit growth and net interest income
- High asset quality; low NPL ratio
- Strong liquidity

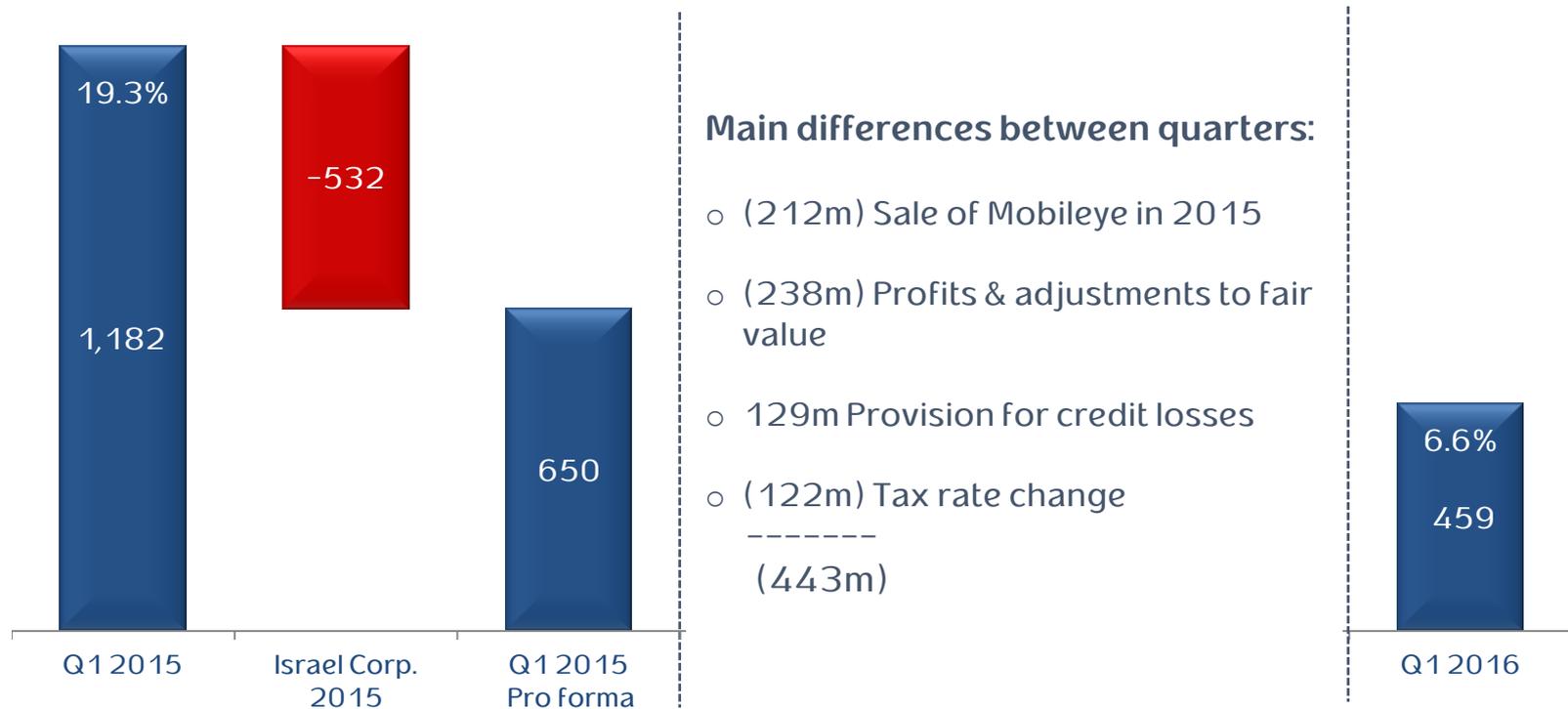
Strategy

- Digital Bank - Initial rollout in second half of 2016
- Continued execution of efficiency program
- Expanding activity in business sector, with emphasis on SMEs



Net profit comparison

NIS millions, ROE%

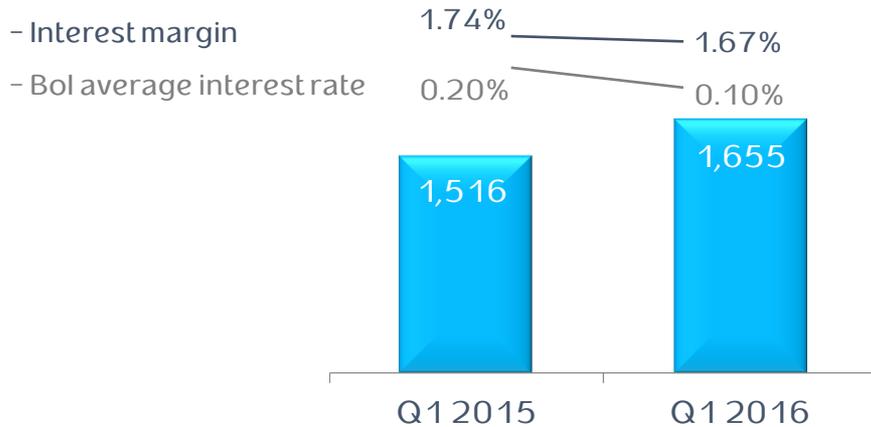


Highlights

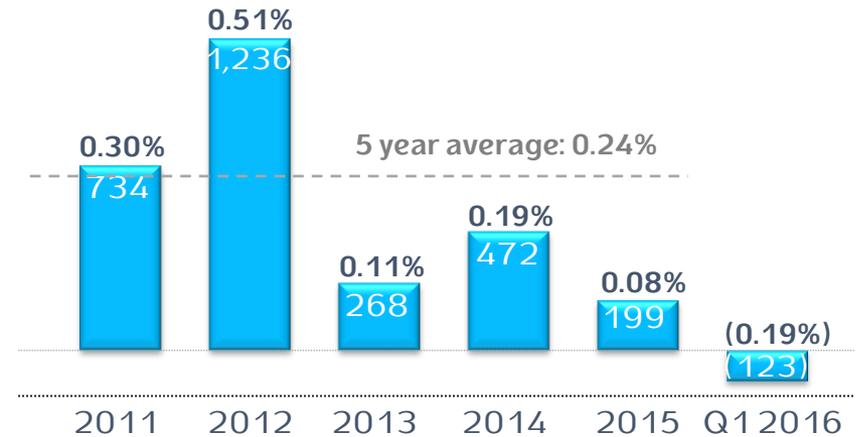
NIS millions

	Q1 2016	Q1 2015	Δ%
Net Interest Income	1,655	1,516	9.2
Expenses (income) for credit losses	(123)	81	-
Net interest income after expenses for credit losses	1,778	1,435	23.9

Net interest income



Low provision rates reflect high quality credit portfolio

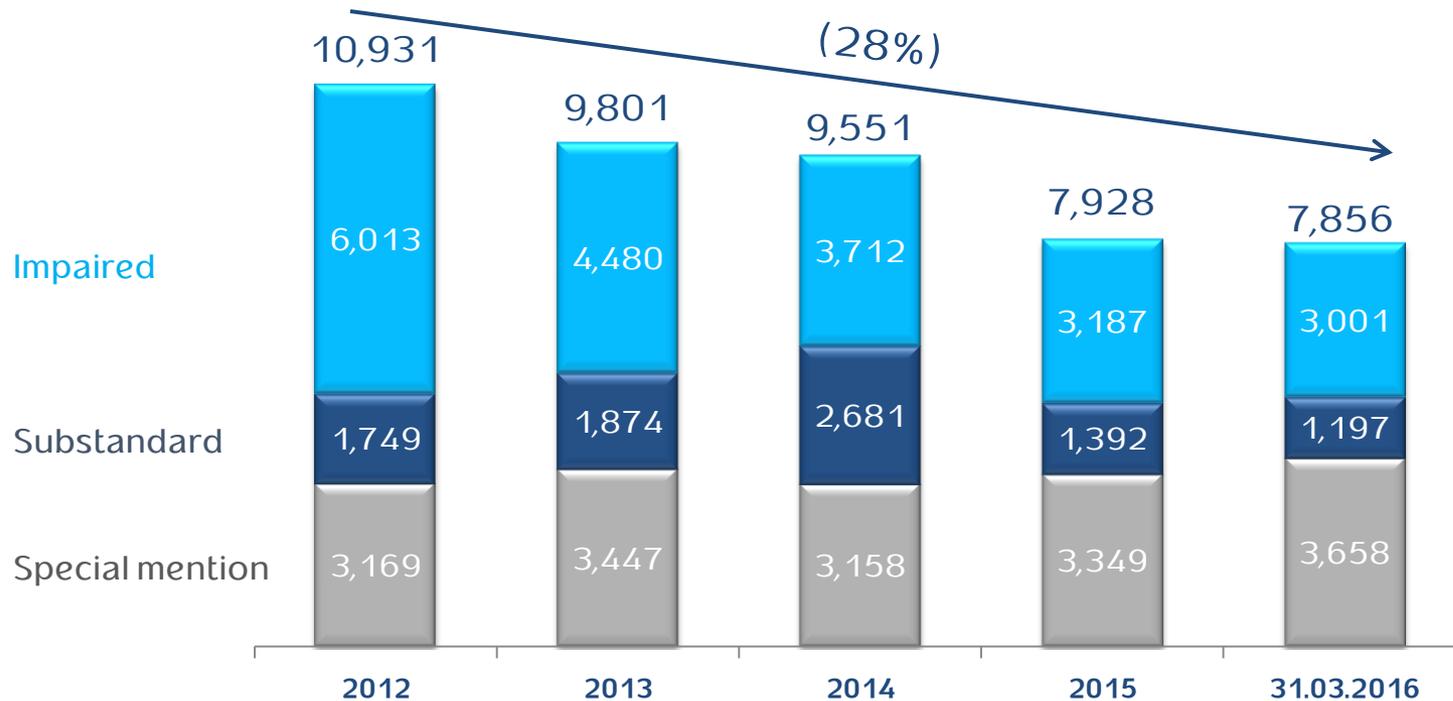


Low NPL ratio; declining problem debts

NIS millions

NPL Ratio:

2.8%	2.1%	1.7%	1.3%	1.2%
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Net credit by operating segments: management approach

NIS millions

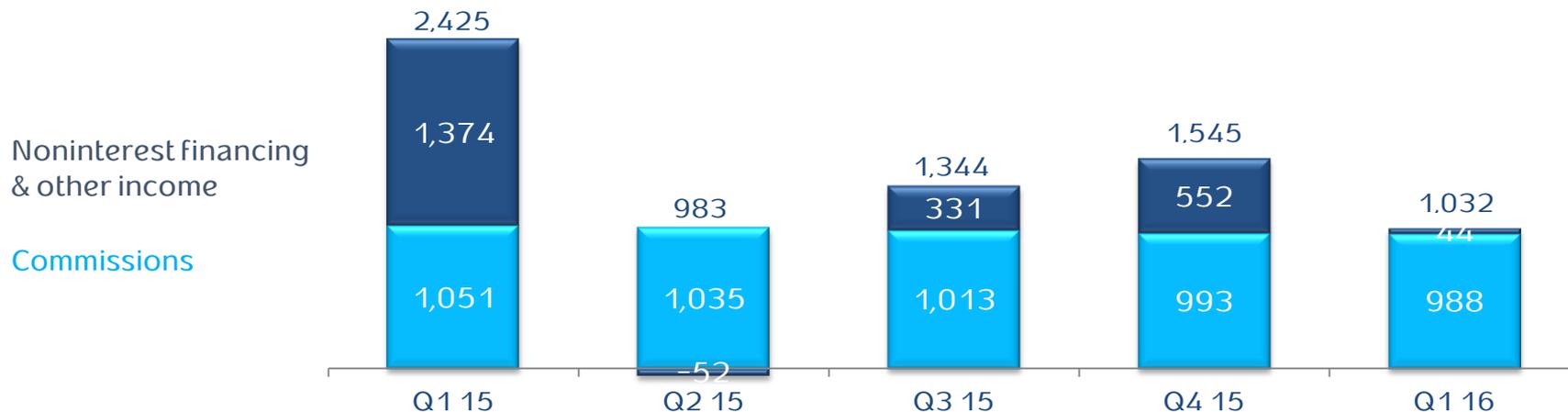
	31. 3.2016	31.3.2015	Δ %
Banking	139,269	125,138	11.3
Commercial	33,722	30,323	11.2
Corporate & Real estate	56,438	55,214	2.2
Capital market	3,788	3,948	(4.1)
Other & adjustments	2,639	2,330	13.3
Israel subsidiaries	6,234	11,088*	(43.8)
Total Israel	242,090	228,041	6.2
Subsidiaries abroad	22,043	22,234	(0.9)
Total	264,133	250,275	5.5

*Includes Arab Israel Bank, merged December 31, 2015 with the Bank



Noninterest income mainly affected by capital market activities

NIS millions



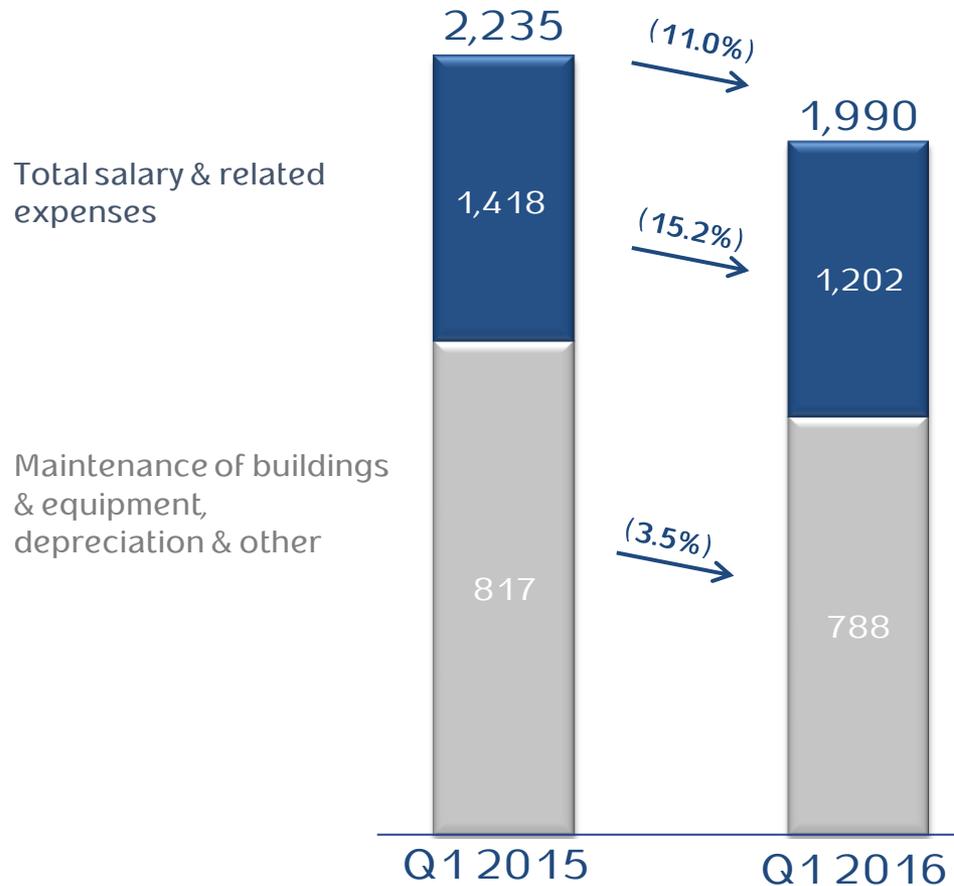
	Q1 2016	Q1 2015	Δ	Δ%
Commissions	988	1,051	(63)	(6.0)*
Noninterest financing income	24	1,319	(1,295)	(98.2)
Other Income	20	55	(35)	(63.6)
Total	1,032	2,425	(1,393)	(57.4)

* Reduction mainly from the sale of Leumi Switzerland and Luxembourg



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

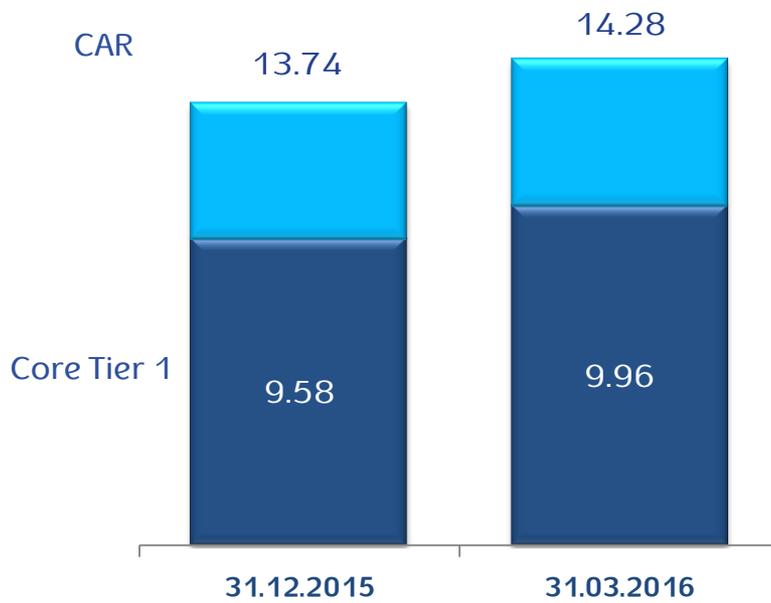


Israel & Foreign Government Bonds
Cash & Deposits with Central Banks
Total / Balance Sheet



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%

Bank's Capital Plan December 31, 2017:

- Tier I Capital Ratio 10.5%



Successfully executing strategy

Israel focused: Exited off-shore private banking activities in Switzerland, Luxembourg & Jersey; closed most rep offices around the world

Capital: Made significant steps to meet required capital levels

Risks: Reduced credit, market and compliance risks

Efficiency: 10% workforce reduction; merger of divisions, branches & regional offices

Strong credit growth with leading market share in the Israeli middle market sector

Leading the digital revolution in Israeli banking



Digital Bank – initial rollout in second half of 2016

1st bank in Israel to launch a standalone digital bank

Based on the newest and most innovative technology

Greater IT capabilities – costs significantly less

Emphasis on simplicity, transparency and convenience

More efficient retail model with a friendly and intuitive platform



Thank you

For more information contact:

Herb Small | Head of Investor Relations

Tel: +972 76 8858630 | Mobile: +972 50 6519144

hsmall@bll.co.il



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leumi