



לאומי
leumi

EXCHANGE OFFER OF SUBORDINATED NOTES

JULY 2019

The presentation does not replace the need to review the latest periodic/quarterly reports containing full information, including forward looking, as defined in the Israeli Securities Law.

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Bank Leumi at a Glance

120 years

of Banking
Expertise

Broad Array

of Banking & Financial
Services

Leading

Digital
Transformation

\$412B

Total AUM
(Mar 31, 2019)

~\$10B

Equity
(Mar 31, 2019)

9,740

Employees (YE/18)

30%

Local Market Share

Prudent

Risk Control

Stable/Positive Rating

Fitch A, Moody's A2/S&P A-

Strategy Translates into Achievements Across the Board

Unique Growth Drivers

Leading digital transformation in Israel

- **Mobile-only Bank – PEPPER.**
- **'Digital Mortgage'** – New and first of its kind in Israel
- **VIDEA** - An innovative Digital investment management platform

LEUMITECH - Serving Israeli hi-tech in Israel and abroad

Cost Income – Going Down

Continued expansion of digital across all customer segments

Enhancing our infrastructure:

- **New Operations Division**
- **New Data Division**

High Quality Credit Portfolio

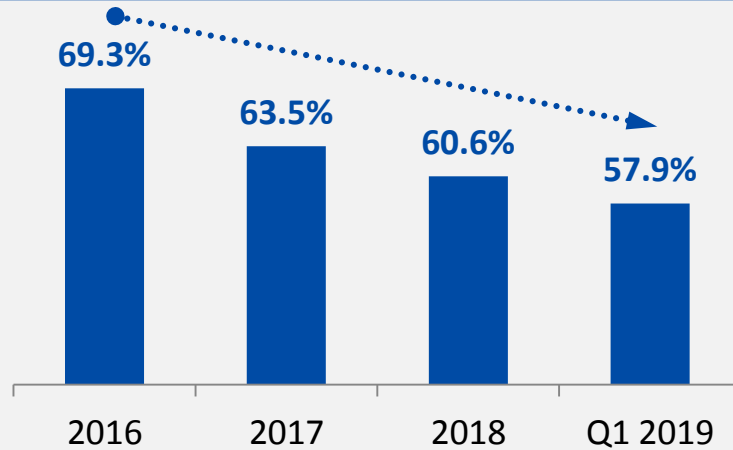
Responsible credit growth – Middle Market, Mortgages and Corporate lead loan growth – in line with plan

Solid and conservative portfolio

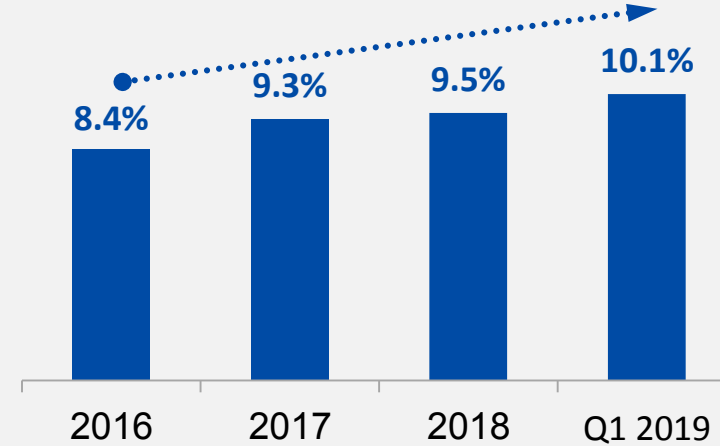


Strong Operating Leverage and ROE

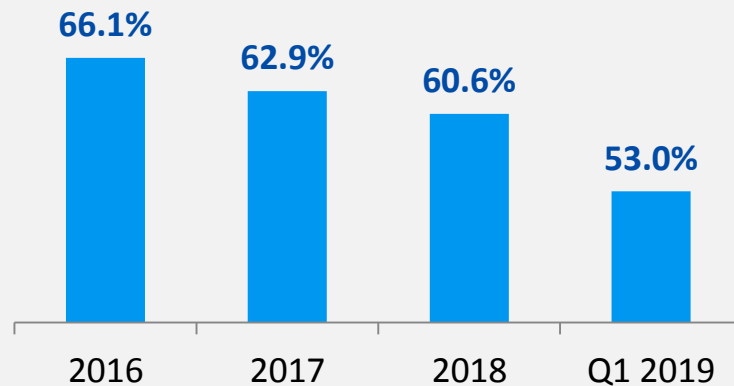
Efficiency Improved*



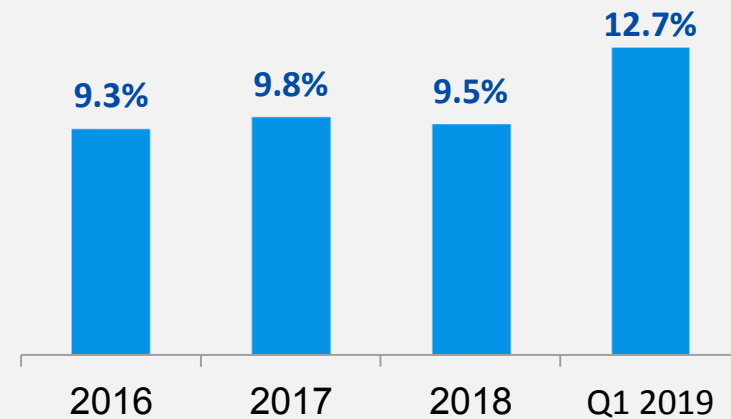
ROE*



Efficiency Improved



ROE



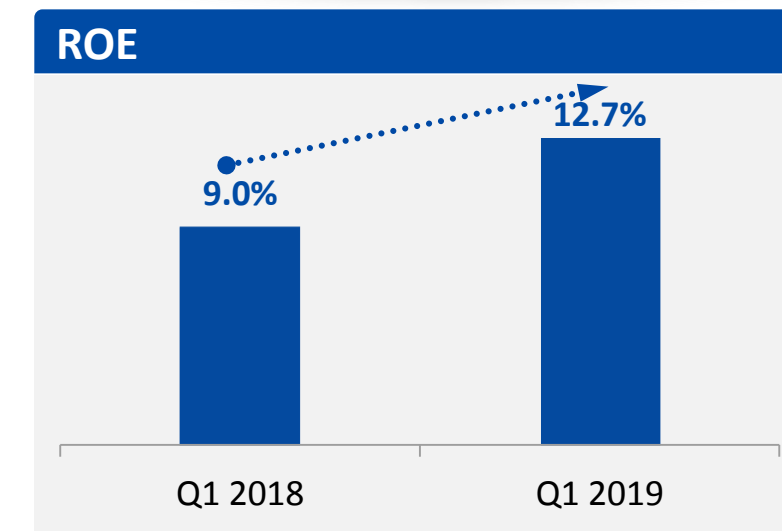
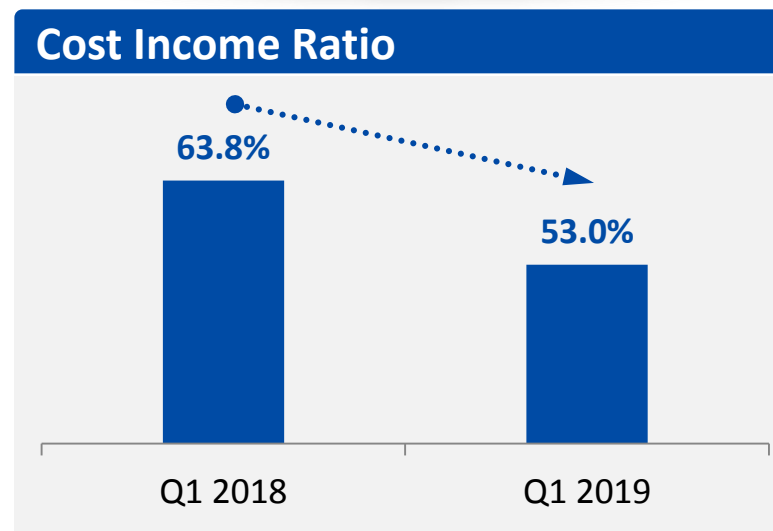
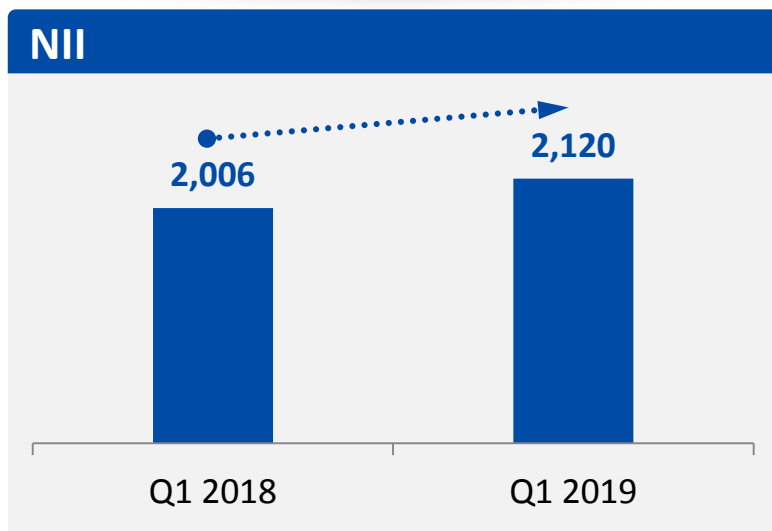
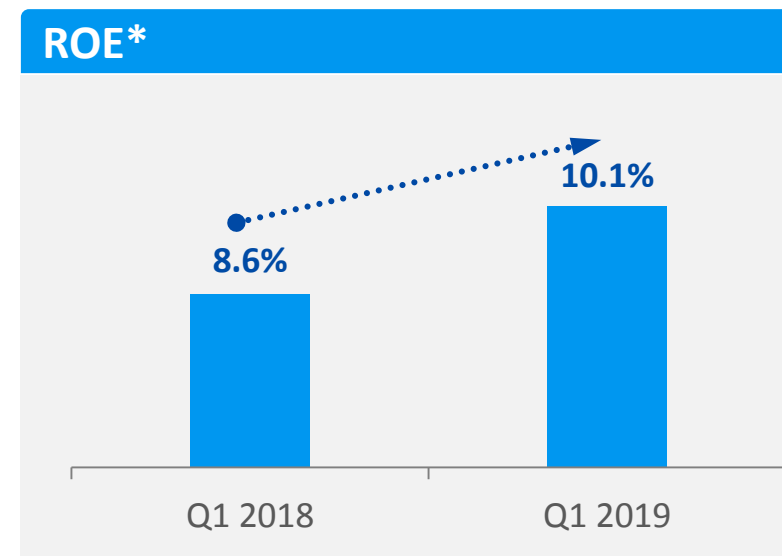
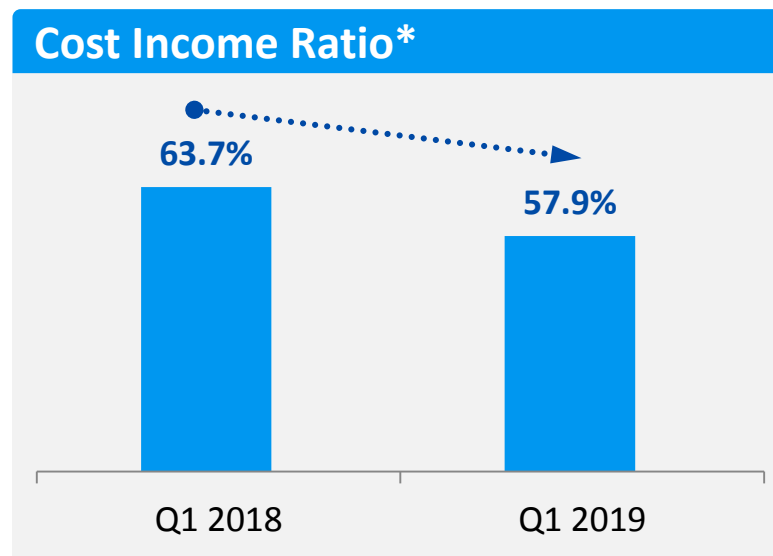
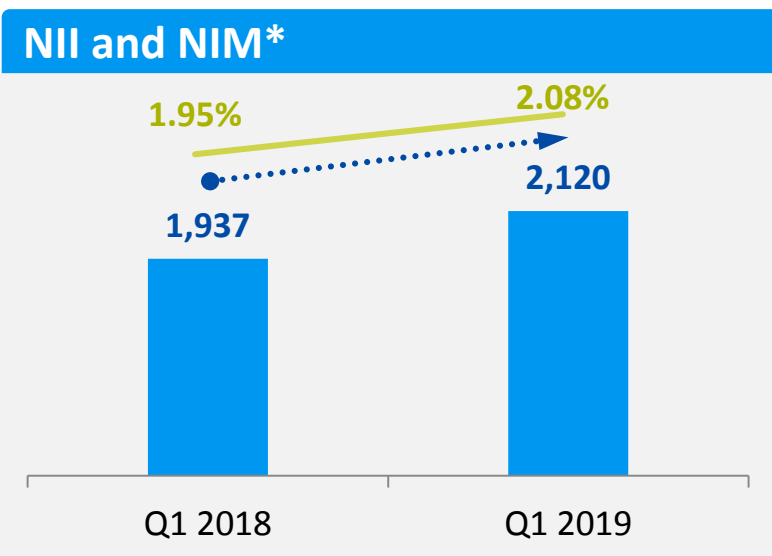
* Q1 2019 - Net of the effect of Leumi Card as per the pro-forma financial statements presentation

* 2017 cost-income ratio was adjusted by the profit of selling a major branch and salary expenses recorded as one-time.

* 2016 cost-income ratio was adjusted by income from selling VISA Europe, salary expenses recorded as one-time and an insurance refund



A Snapshot of Leumi's Q1 Performance



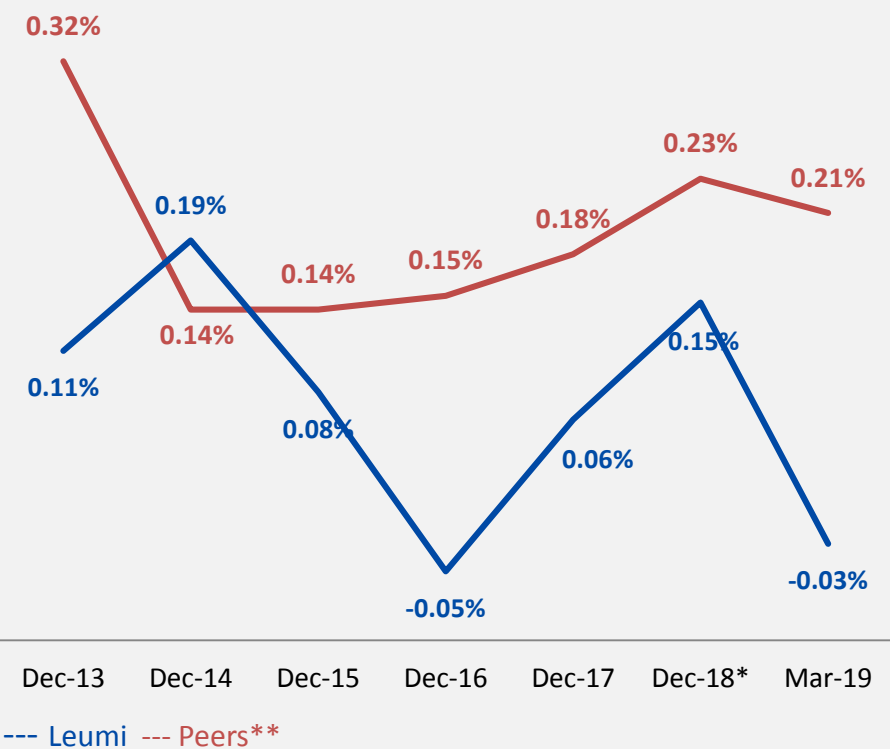
(NIS Millions)

* Net of the effect of Leumi Card as per the pro-forma financial statements presentation



A Holistic View of our High Quality Credit Portfolio

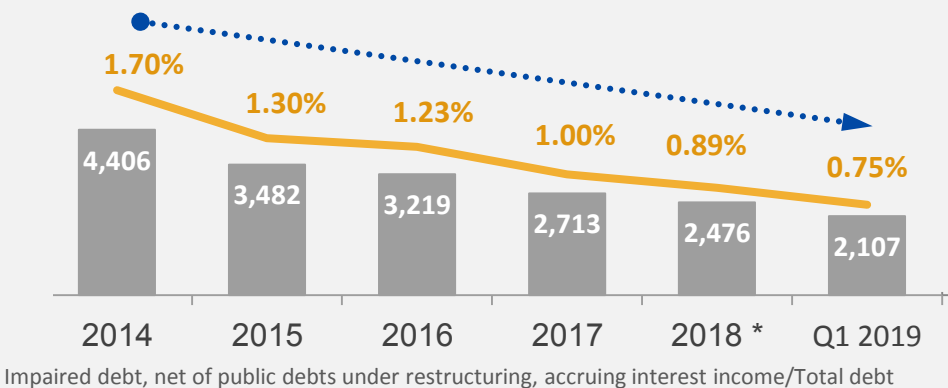
Low Credit Loss Expenses – Outperforming the Market



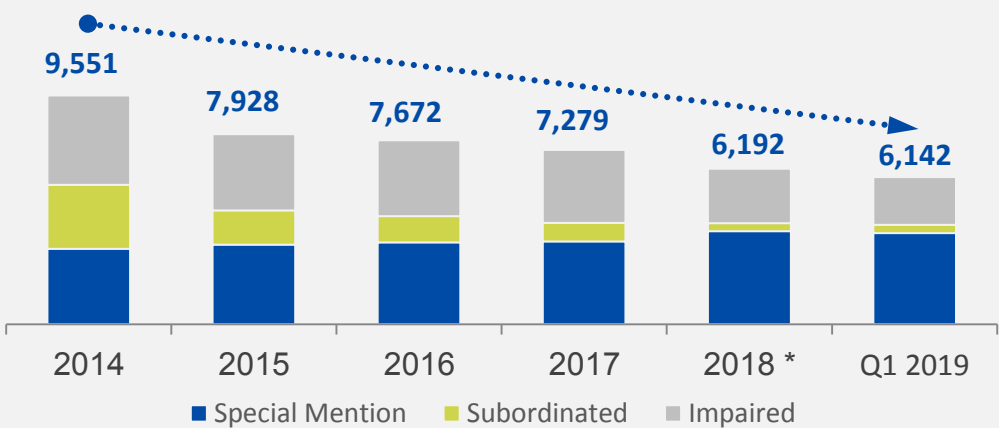
Peers**: Top-5 Israeli banks without Leumi

(NIS Millions)
2018* : Net of Held for sale assets and/or liabilities

Substantial Improvement in NPL Ratio

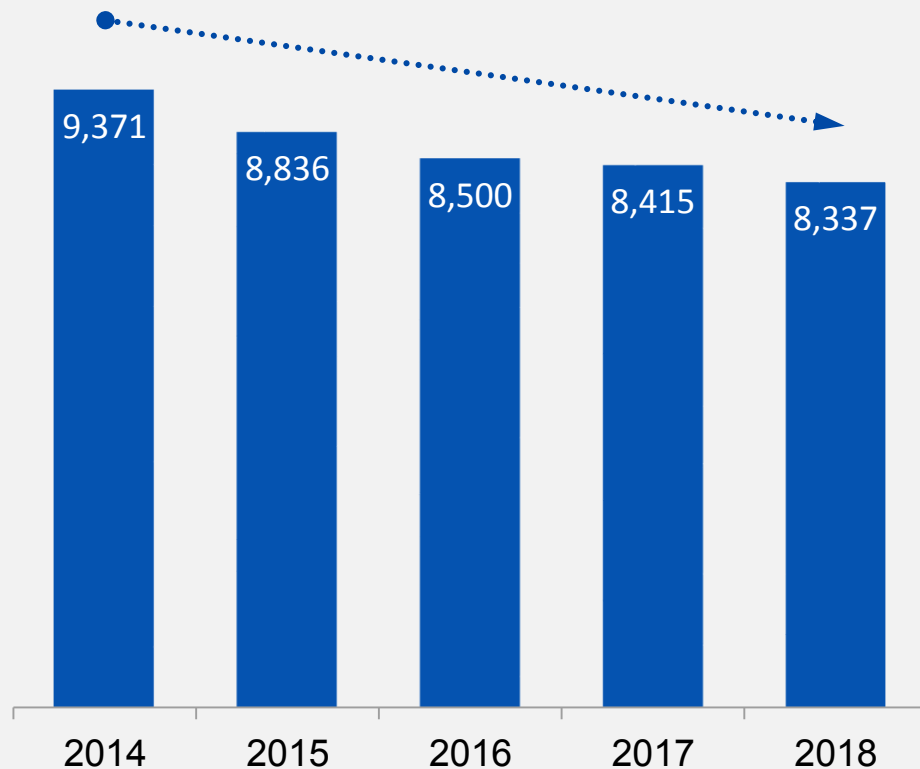


Continuous Positive Trend in Problem Debts



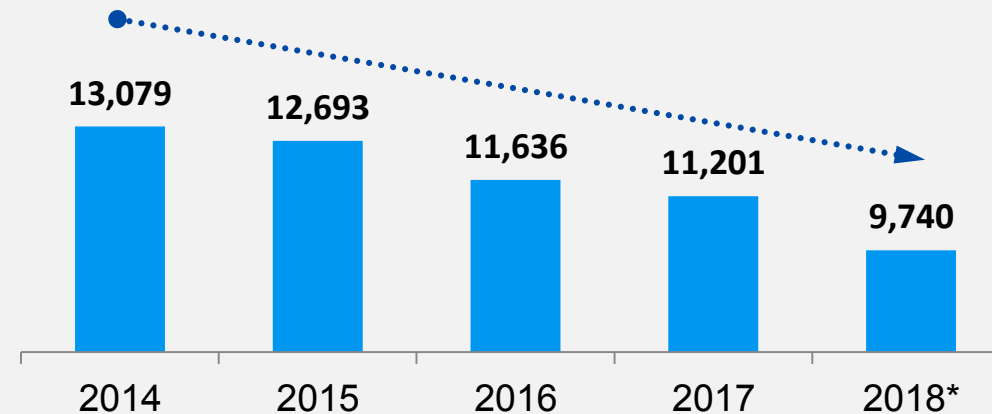
Continuous Streamlining of the Business

Costs Down - Efficiency Improved

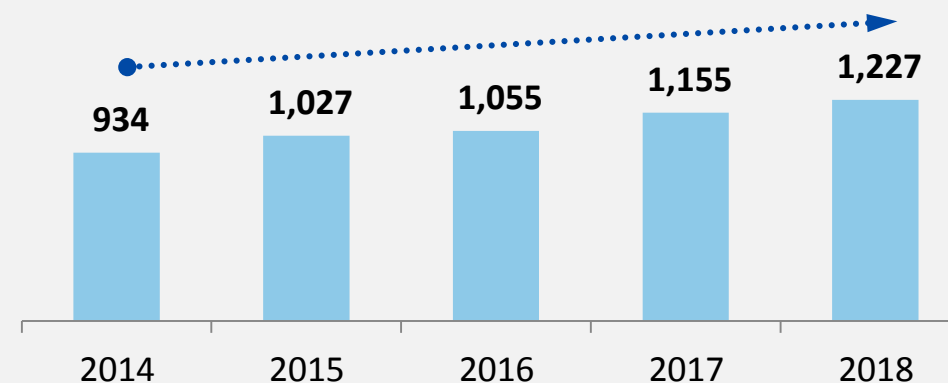


(NIS Millions)

Number of Positions Continued to Fall



Income Per Employee is on the Rise

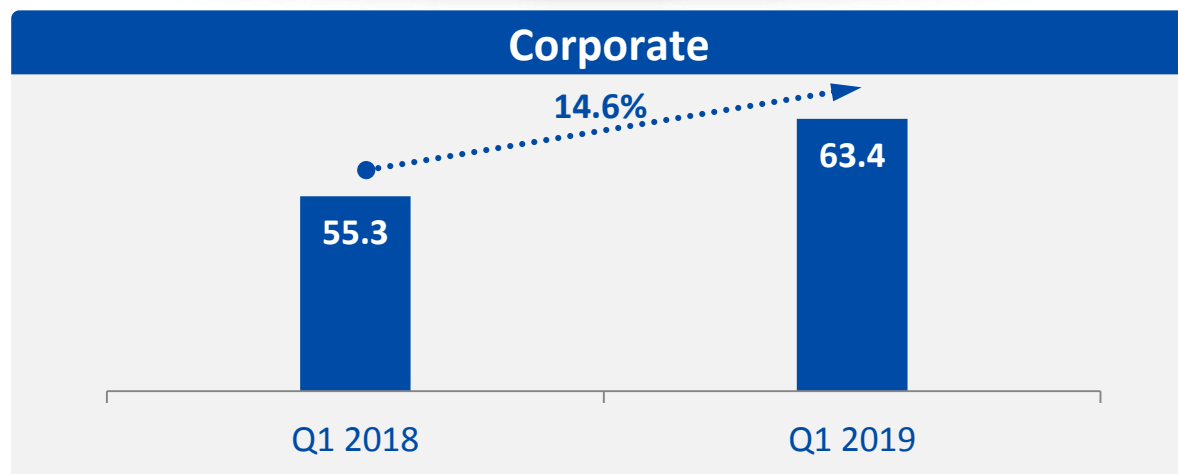
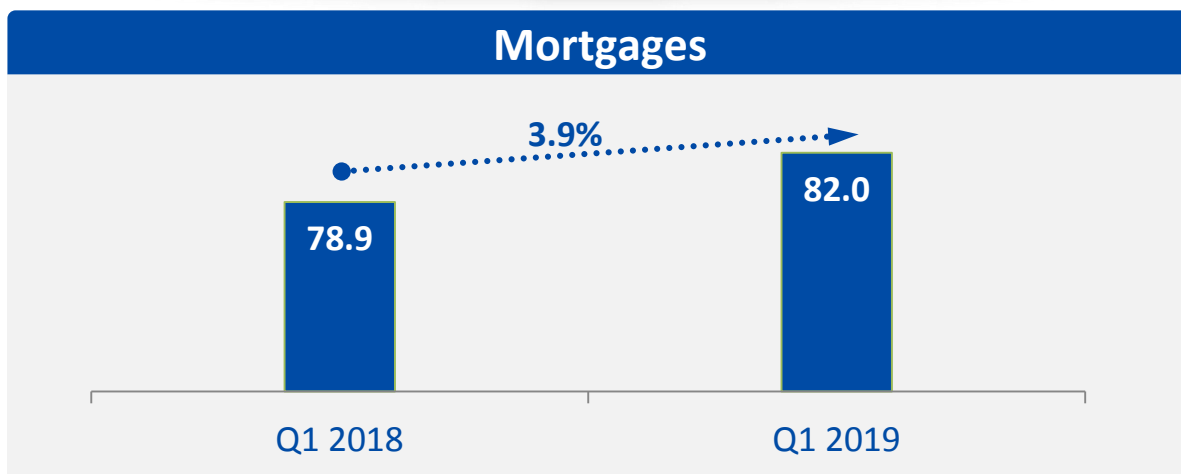
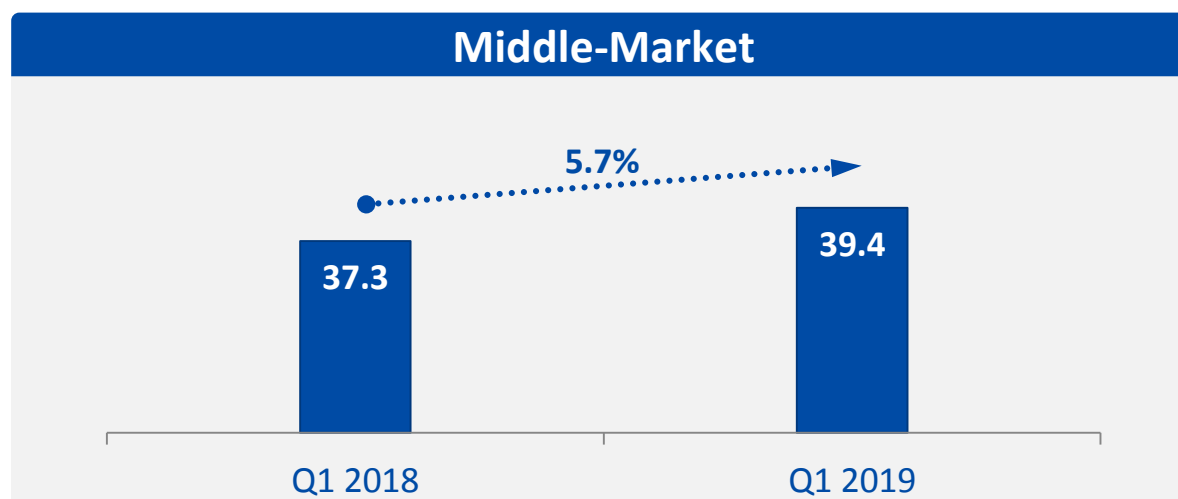
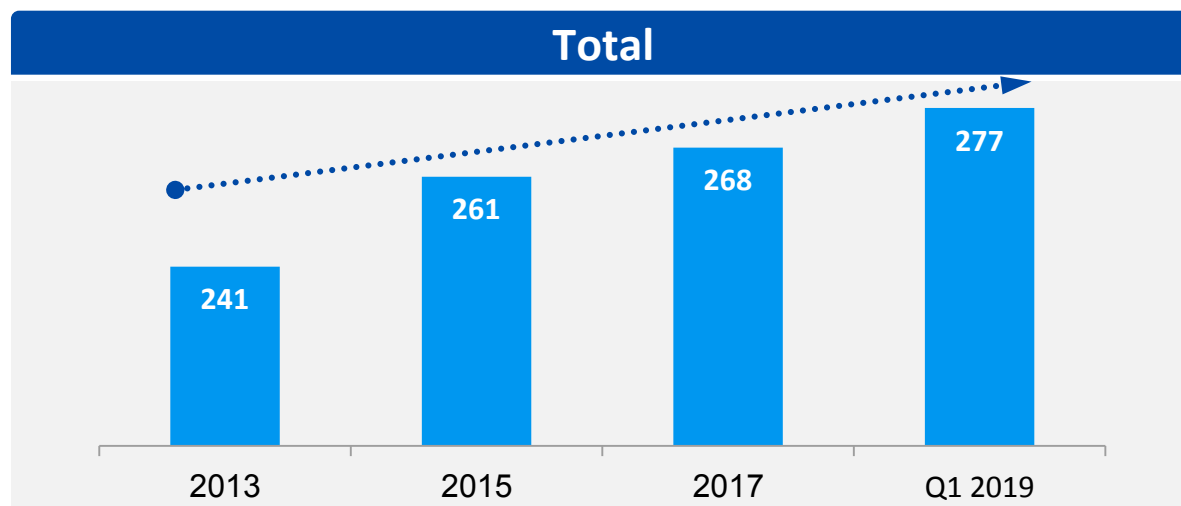


Income (NIS thousands) per average Number of Positions

*Excluding Leumi Card employees



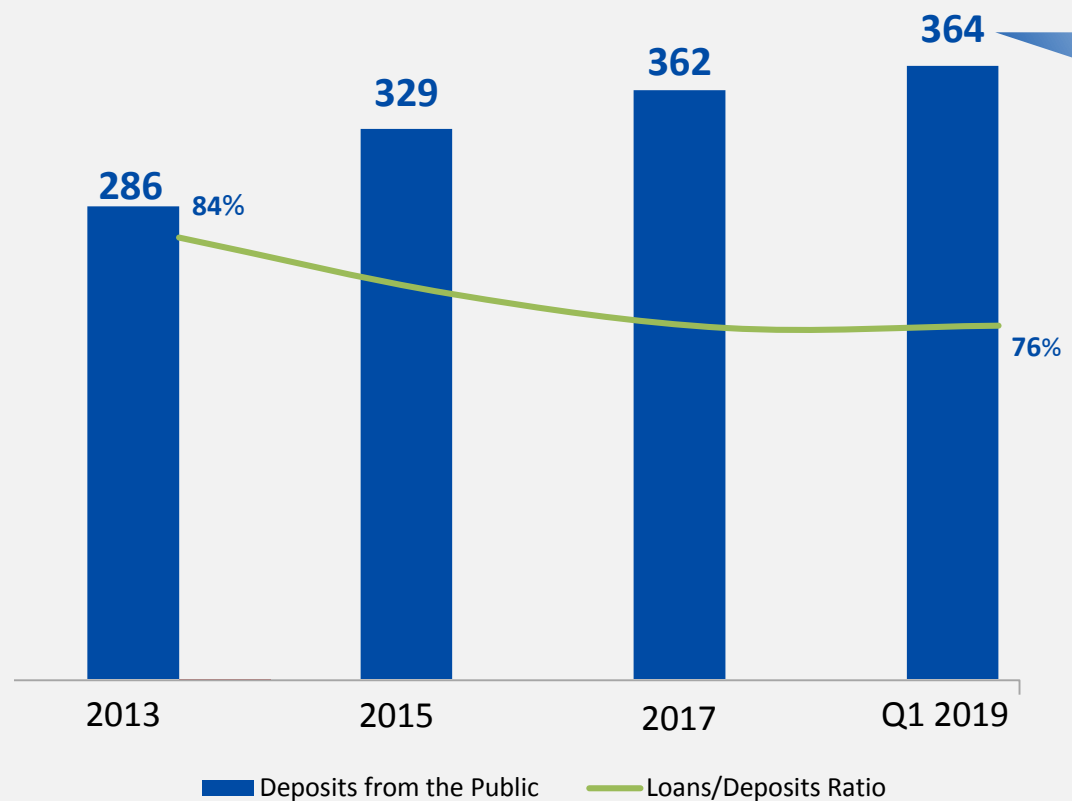
Loan Growth in Line with Strategy



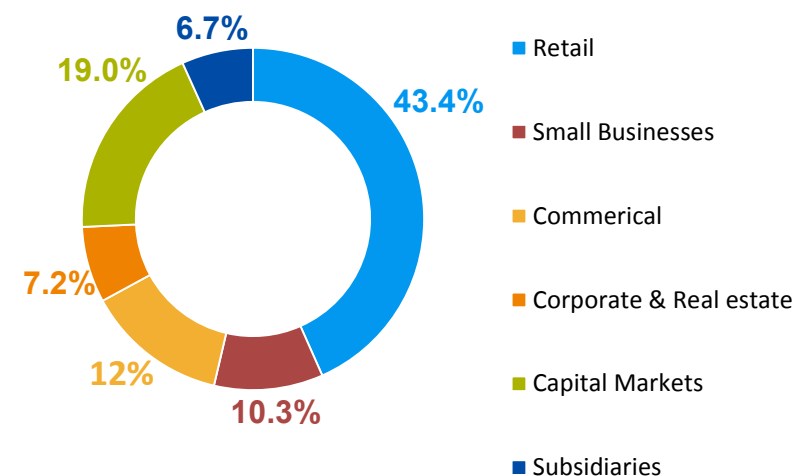
(NIS Billions)
Corporate includes Corporate and Real-Estate



Solid and Diverse Deposit Base. Conservative, Well-funded Portfolio



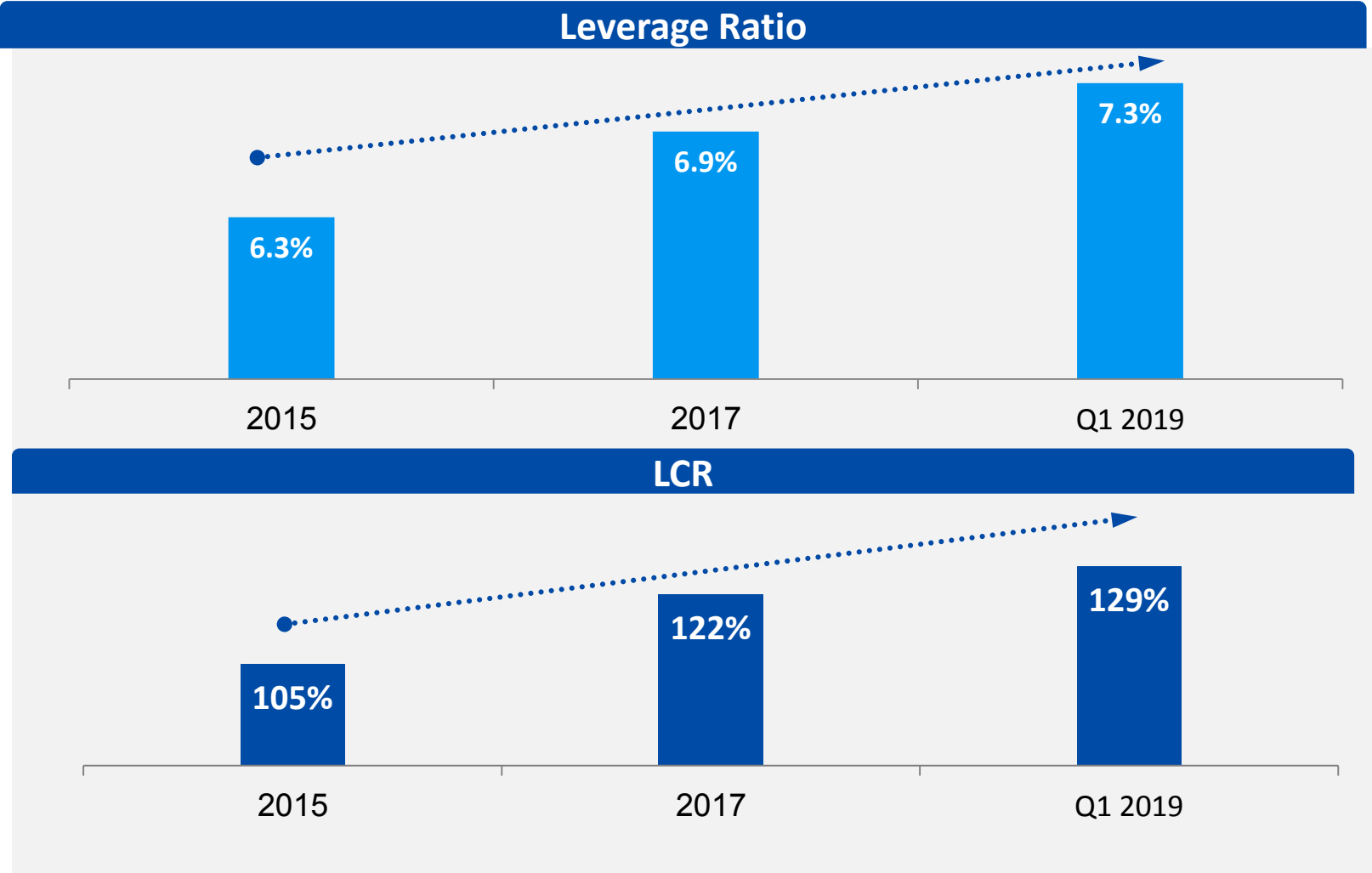
Deposits from the Public March 31, 2019



(NIS Billions)

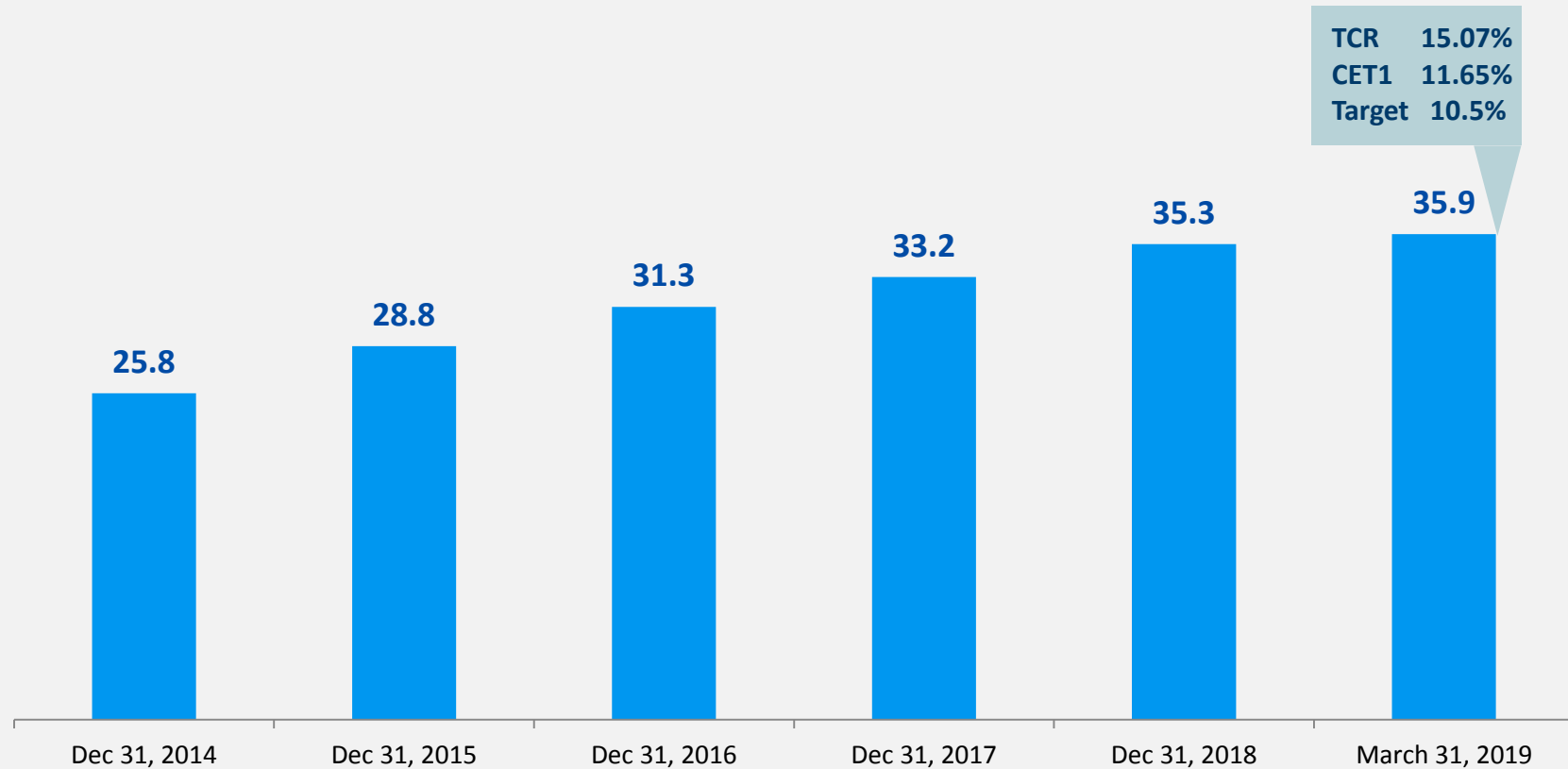


Solid Finance Metrics



Strong Capital Generation and Adequacy Ratios

Capital Up, CET1 Well-above Target



(NIS Billions)



Exchange Outline



Exchange Offer of Debentures:

Current Series 14	Exchange up to 1.9 billion NIS nominal value
Current Series 201	Exchange up to 0.95 billion NIS nominal value
New Series Offered	Subordinated CoCo, series 404
Exchange Ratios	Series 14 approx. 1.125 Series 201 approx. 1.015

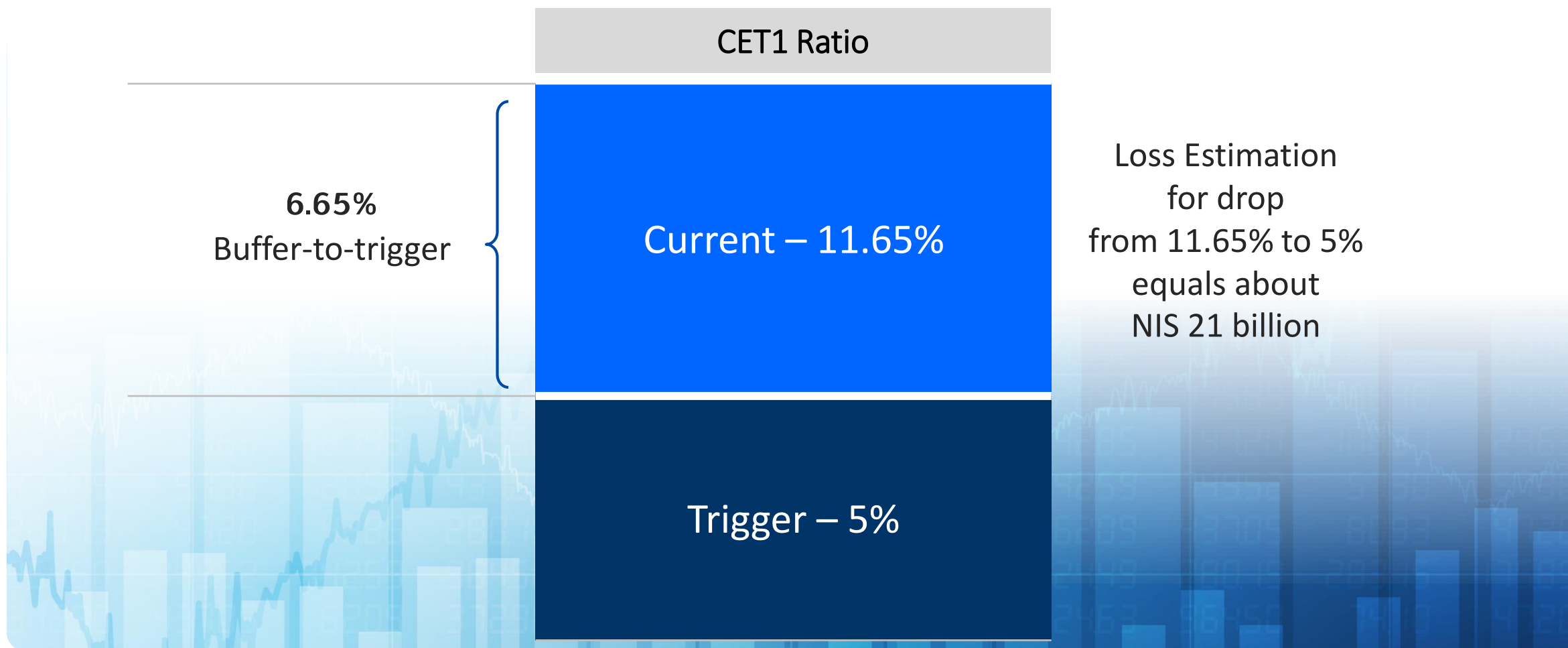


Series 404 - Main Parameters:

Rating	ilAA, S&P Maalot
Maturity	September 30, 2029, with an option for early redemption (full/partial) in September 2024
Capital tier	<ul style="list-style-type: none">Fully recognized for Tier 2During last 5 years, amortized by 20% annually, if not redeemed at optional early redemption date
Interest	<ul style="list-style-type: none">Interest rate 1.85%Fixed NIS, linked to CPIInterest rate adjustment at early redemption option date: Original rate + the difference between the CPI-linked 5-yr government yield at the issuance date and at the early redemption date
Conversion Trigger	The earlier between 5% CET1 and PONV at discretion of the Supervisor of Banks
Conversion Mechanism	The higher between market price and the predetermined floor price



Leumi's Resilience - Broad Buffer-to-Trigger



As of March 31, 2019



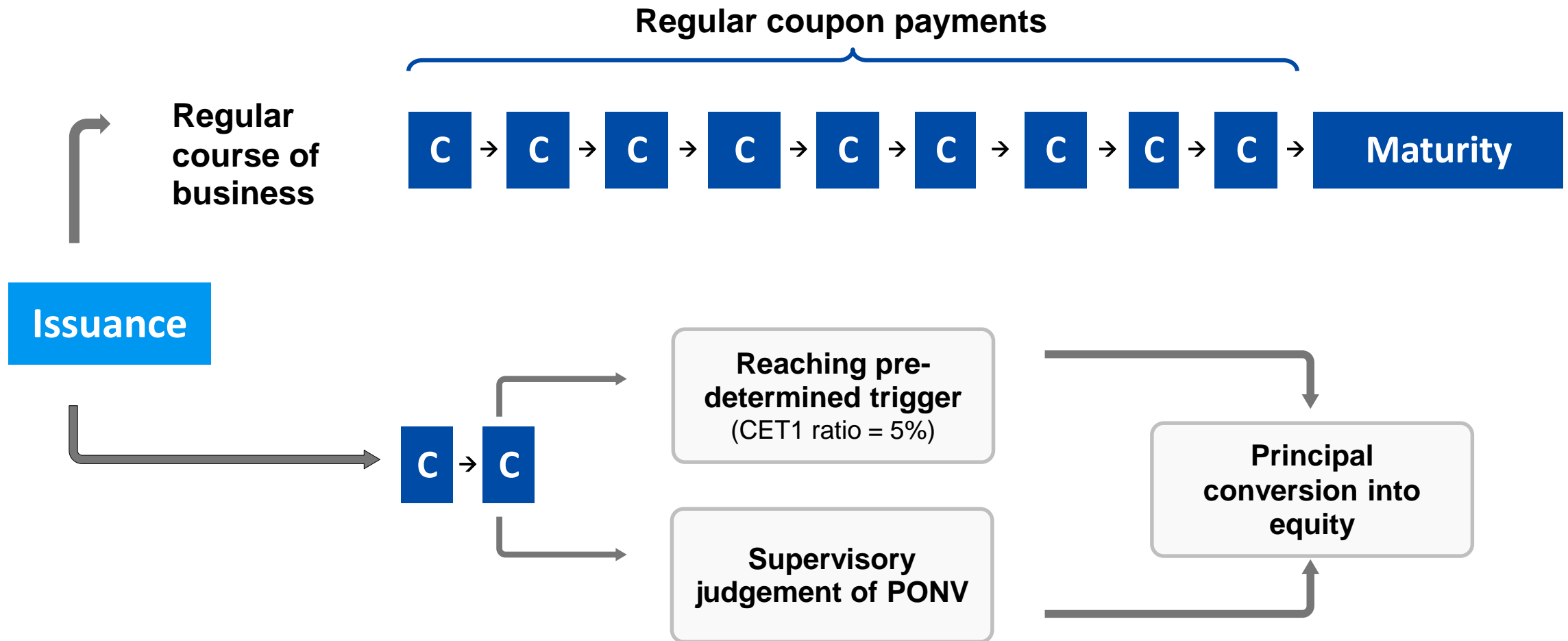
Conversion to Equity Mechanism

Reduces investor losses compared to a principal write-off mechanism

To date, Leumi is the only CoCo-issuing bank in Israel, using this mechanism



COCO - Contingent Convertible Capital Instrument



Leumi's Resilience – None of the Exposures to the Risk Factors is Defined as High

Risk	Severity
Total credit risk	Medium
Total market risk	Medium-low
Liquidity risk	Low
Operational risk	Medium
Legal and compliance risk	Medium
Global systematic risk	Medium
Domestic systematic risk	Medium

Severity is derived from the estimated impact of various scenarios on the Group's CET1, and a relevant subjective evaluation.

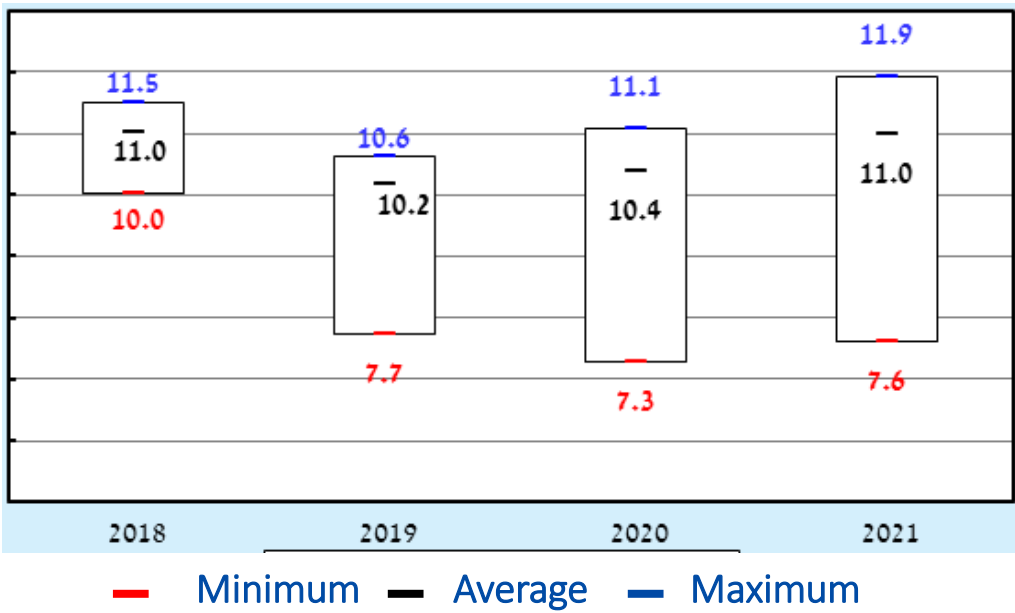


Bol's Systemic Stress Test Results Indicate the Israeli Banking System is Resilient, in Time of a Severe Domestic Crisis

Stress Scenario Describes an Adverse Domestic Macro-economic Crisis, Including Geo-political Events

Main parameters and extreme data used in Bol's stress test:	
GDP	-5%
Unemployment	9.3%
Effective Exchange Rate	20% depreciation
Long-term yields	8.39%
Stock market TA 100 index	-50%
Housing prices	-35%

Latest Bol system stress test scenario (performed in 2018):
CET1 ratios (min./max/avg.) per year



Source: “Bank of Israel, “Israel’s Banking system, 2018”, May 2019



Leumi's Stability is High

Capital

- Broad buffer-to-trigger
- Bol stress tests indicate that Capital adequacy, even in the weakest bank in Israel, is well above 5% in worst case scenario
- Leumi's NIS 17 billion pension liability mitigates the impact of scenarios that include rising long-term interest rates

Liquidity

- High LCR (129%) – supporting liquidity needs at a liquidity crisis





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THANK YOU