

Leumi Group

First Quarter 2008 Results





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Economic activity

	2005	2006	2007	2008 *
<i>Annual rates of change in real terms</i>				
GDP	5.3%	5.2%	5.3%	4.2%
Gross product of the business sector	6.5%	6.5%	6.1%	5.3%
Private consumption	4.0%	4.5%	6.6%	5.4%
Public consumption	2.9%	2.3%	2.6%	1.6%
Investment in fixed assets	2.3%	10.1%	14.2%	5.2%
Exports of goods and services	4.3%	5.9%	8.4%	6.0%
Imports of goods and services	3.5%	3.3%	12.3%	5.1%
<i>Annual average</i>				
Rate of unemployment	9.0%	8.4%	7.4%	6.4%

**Leumi's forecast*

Balance of payments and the budget

	2005	2006	2007	2008*
<i>Percentage of GDP</i>				
Current account surplus(+)	3.3%	6.0%	3.1%	1.5%
Government budget surplus(+)/ deficit(-)	-2.0%	-0.8%	0.0%	-1.5%
Government debt	93.5%	84.5%	78.5%	74.9%

Billions of US\$

Foreign direct investment inflows (+)	4.8	14.7	10.3	7.4
Foreign direct investment outflows(-)	-2.9	-15.0	-7.1	-3.6
Net FDI inflows(+)/ outflows (-)	1.9	-0.3	3.2	3.8

Main financial parameters

	2006	2007	2008*
Consumer price index (year end rate)	-0.1%	3.4%	3.5%-4.0%
ILS/USD exchange rate – annual average	4.46	4.11	3.45-3.55
ILS/USD exchange rate – annual average rate of appreciation (-) / depreciation (+)	-0.7%	-7.8%	-15%~-16%
Bank of Israel interest rate – annual average	5.1%	3.9%	3.5%-4.0%
Bank of Israel interest rate – year end	4.50%	4.25%	3.50%-4.00%
10 year Shekel bond (Shachar) – yield to maturity – year average	5.6%	5.5%	5.5%-6.0%

The Leumi Group

NIS millions

*Q1
2008*

*Q1
2007*

*%
change*

RoE

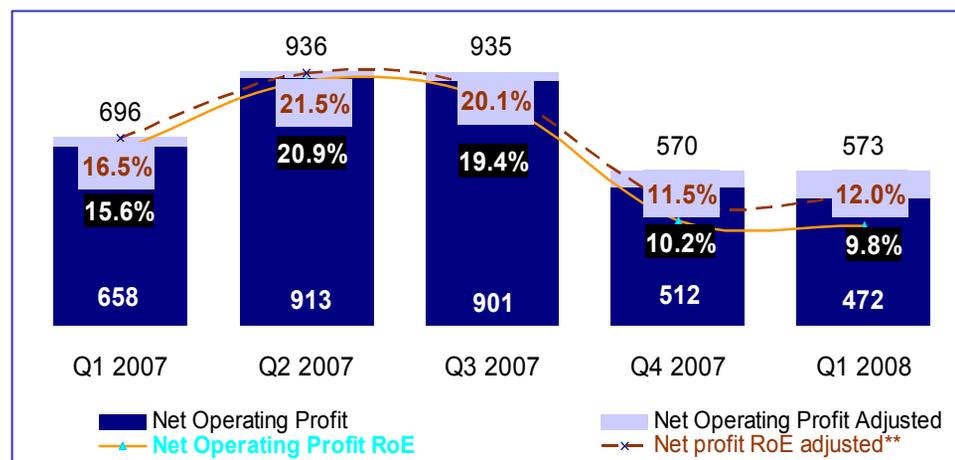
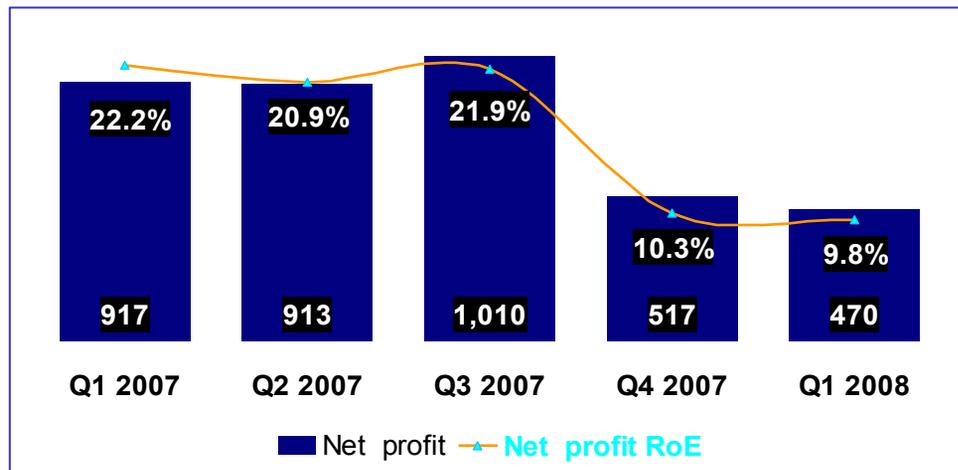
Net profit	NIS 470	NIS 917	(48.7%)	9.8%
Net operating profit	NIS 472	NIS 658	(28.3%)	9.8%

P&L highlights

<i>NIS millions</i>	<i>3 months ended March 2008</i>	<i>3 months ended March 2007</i>	<i>% change</i>
Net interest income before provision	1,960	1,793	9.3%
Provision for doubtful debts	244	11	+
Operating and other income	851	990	(14.0%)
Operating and other expenses	1,794	1,632	9.9%
Companies included on the equity basis	87	39	123.1%
Operating profit before tax	773	1,140	(32.2%)

Net profit and net operating profit and RoE (in annual terms)

NIS millions



Sustained profitability levels

<i>NIS millions</i>	<i>2007</i>				<i>2008</i>
	<i>Q1</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4</i>	<i>Q1</i>
Net operating profit	658	913	901	512	472
Effect of the known CPI	9	(11)	(115)	-	(16)
Exchange rate differentials in respect of financing overseas investments (tax effect)	25	(35)	62	63	82
Adjustment of derivatives to market value	47	41	(129)	70	106
Profit from sale of debentures and adjustments to market value of tradable debentures	(52)	(50)	69	(20)	(64)
Difference between the severance obligations and the reserves	7	(7)	-	-	91
Total adjustments	36	(62)	(113)	113	199
Net operating profit after adjustments	694	851	788	625	671

Net operating profit by segment *

<i>NIS millions</i>	<i>Q1 2008</i>	<i>Q1 2007</i>	<i>% change</i>	<i>Q1 08 percentages</i>
Corporate banking	110	224	(50.9%)	
Construction and real estate	148	82	80.5%	
Commercial banking	129	112	15.2%	
Small business banking	97	66	47.0%	
Household banking	175	173	1.2%	
Private banking	35	40	(12.5%)	
Financial management & others	(121)	(1)	+	
Total	573	696	(17.7%)	

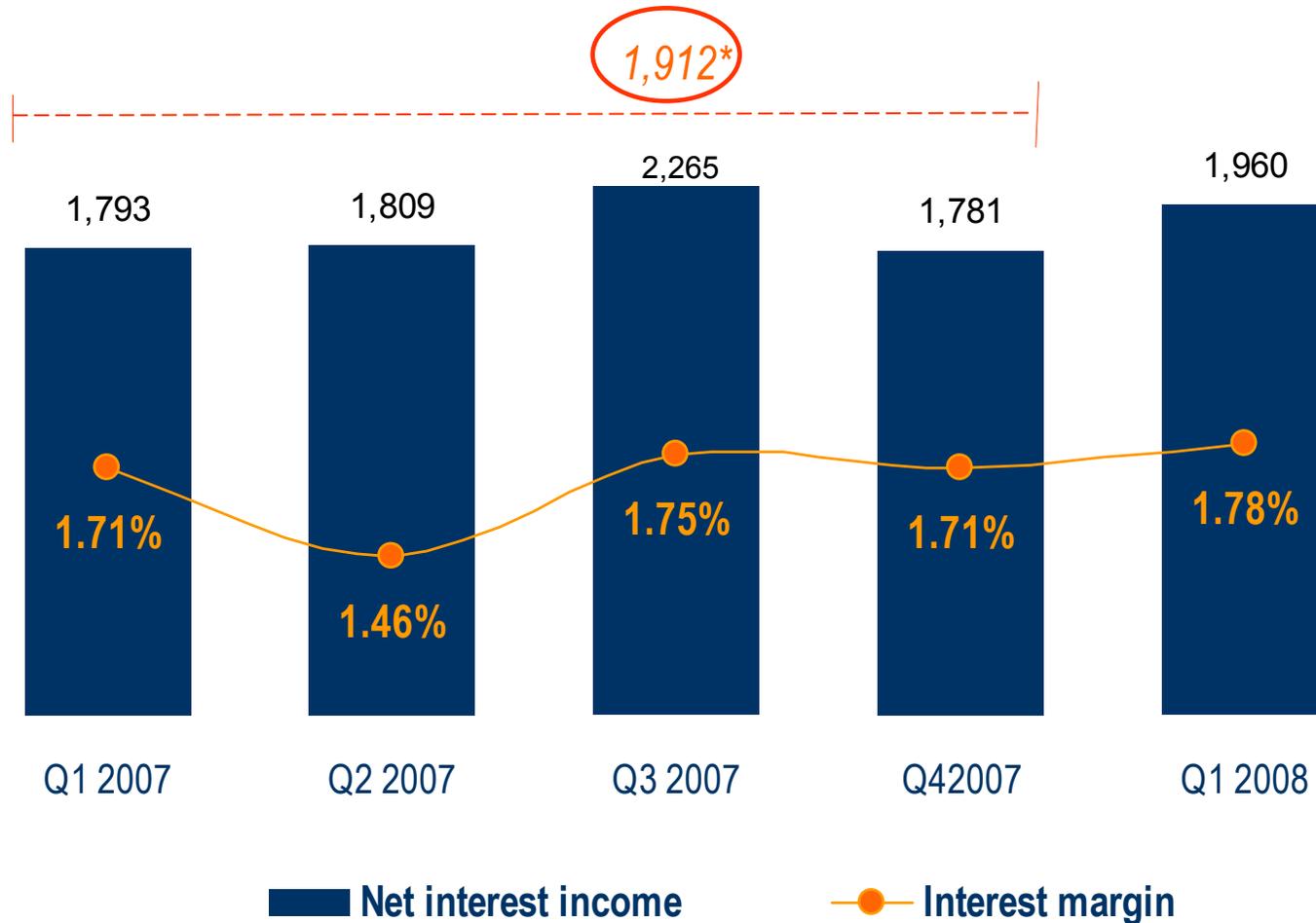
Segment	Percentage
Financial management & others	-21.1%
Private banking	6.1%
Household	30.6%
Small Business	17.0%
Commercial	22.6%
Constr& real estate	25.9%
Corporate	19.3%

*Adjusted for special salary expenses

Net interest income & interest margin accumulated for the period ending:

NIS millions

+ NIS 167 million /+9.3% Q1oQ1



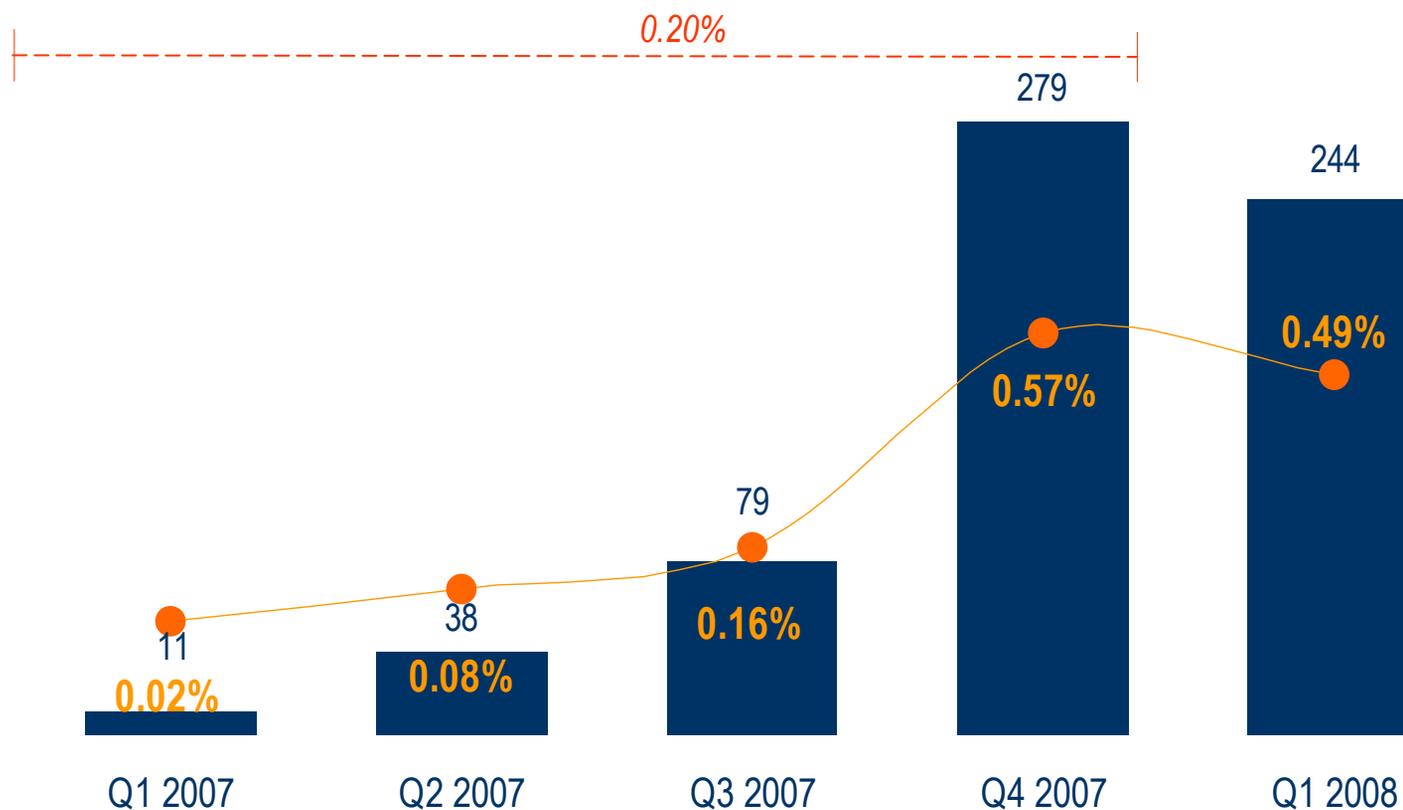
Development of net interest income

NIS millions

	<i>31.03.08</i>	<i>31.03.07</i>	<i>% change</i>
Current activities	1,832	1,719	6.6
Collection and reduction of interest in respect of problem loans	169	82	106.1
Profit from sale of debentures and adjustments to market value of tradable debentures	102	84	21.4
Adjustment of derivatives to fair value	(168)	(77)	118.2
Effect of the known CPI	25	(15)	-
Total	1,960	1,793	9.3

Provision for doubtful debts

NIS millions



■ Provision for doubtful debts

● Rate of provision of all credit to the public in annual terms

Main data: provisions for doubtful debts

NIS millions

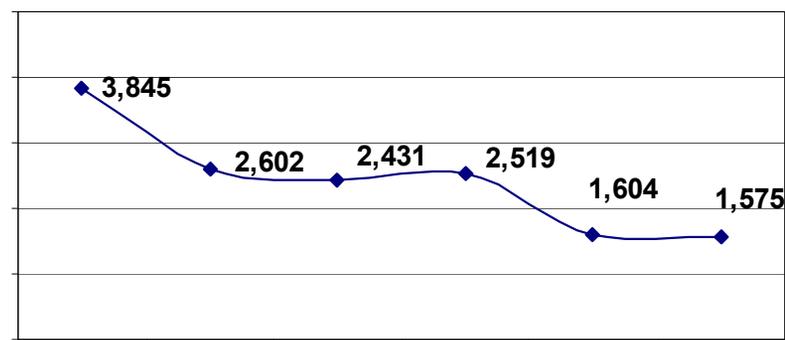
	Q1 2008	Q1 2007	<i>change</i>
Specific provision during the period	530	169	361
Reduction/ Collection of specific provisions	(261)	(138)	(123)
Net addition recorded to the profit and loss statement	269	31	238
Net addition recorded to the profit and loss statement as additional provision	(25)	(20)	(5)
Total provision for doubtful debts	244	11	233

Problematic debts

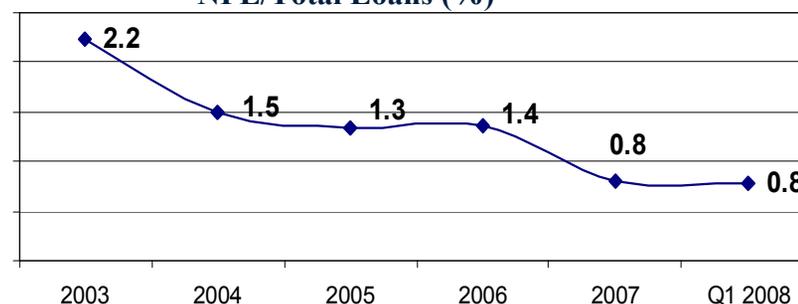
NIS millions

	31.03.08	31.12.07	% Change
Non-accrual	1,575	1,604	(1.81%)
Restructured or to be restructured	671	1,014	(33.8%)
In temporary arrears	614	764	(19.6%)
Under special supervision*	10,971	9,618	14.1%
Total balance sheet credit risk	13,831	13,000	6.4%
Off balance sheet credit risk	2,304	2,442	(5.6%)
Other assets in respect of derivatives of problem borrowers	134	32	+
Total overall credit	16,269	15,474	5.1%

Non-Accrual (NIS millions)



NPL/Total Loans (%)



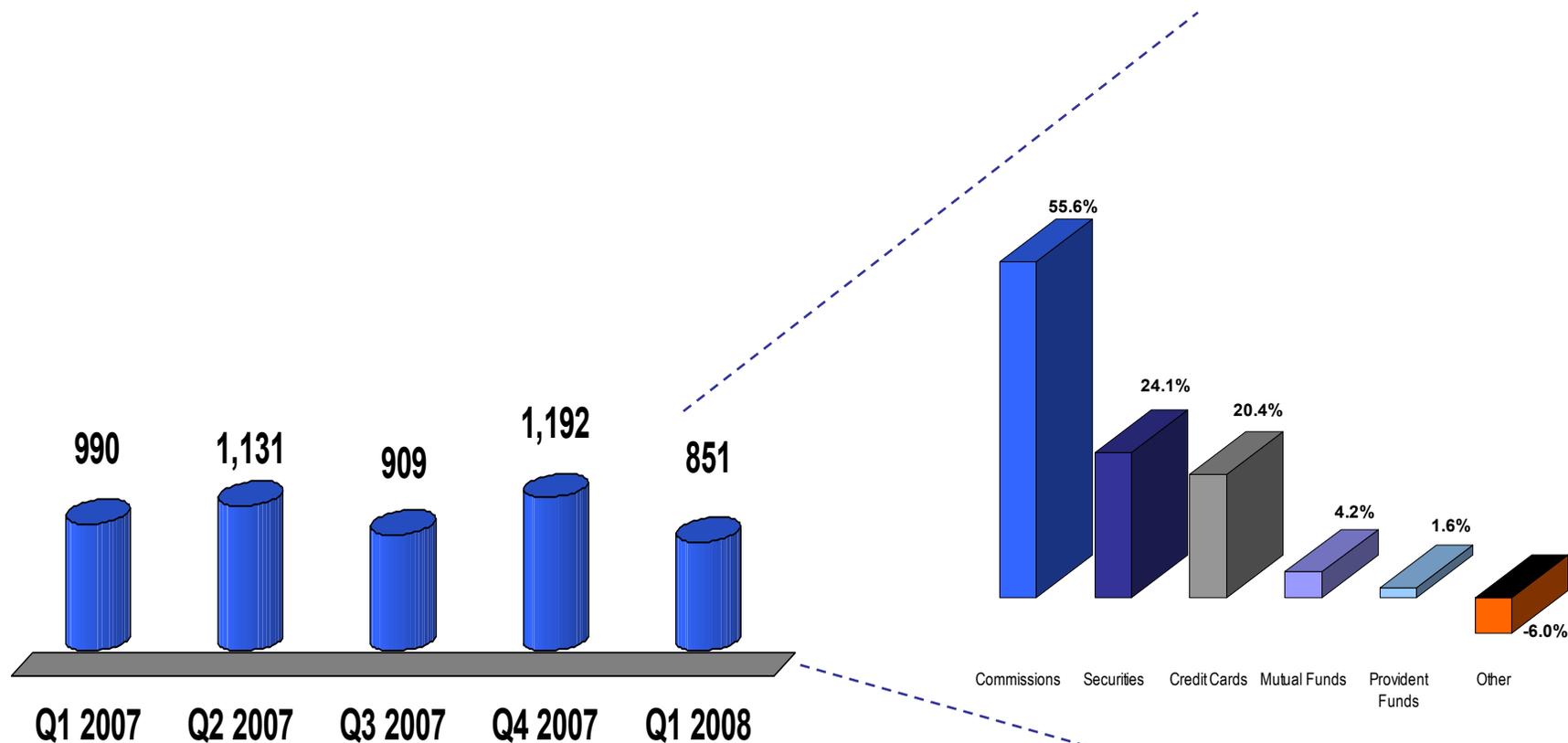
*Including classified debts according to Directive 325 in the amount of NIS 3,105 million (NIS 1,775 million in 2007)

Operating income

NIS millions, % of total

By Quarter

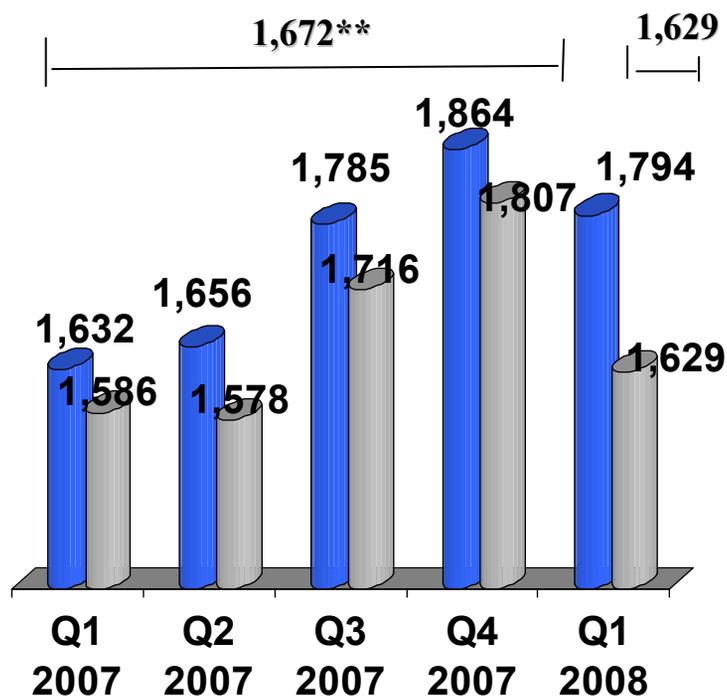
Q1 2008 Breakdown



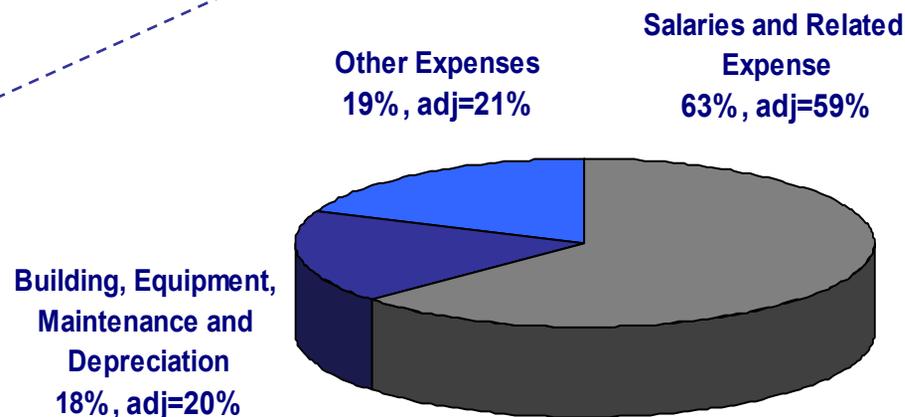
Operating expenses

NIS millions, % of total

By Quarter



Q1 2008 Breakdown



■ Operating Expenses ■ Operating Expenses adjusted *

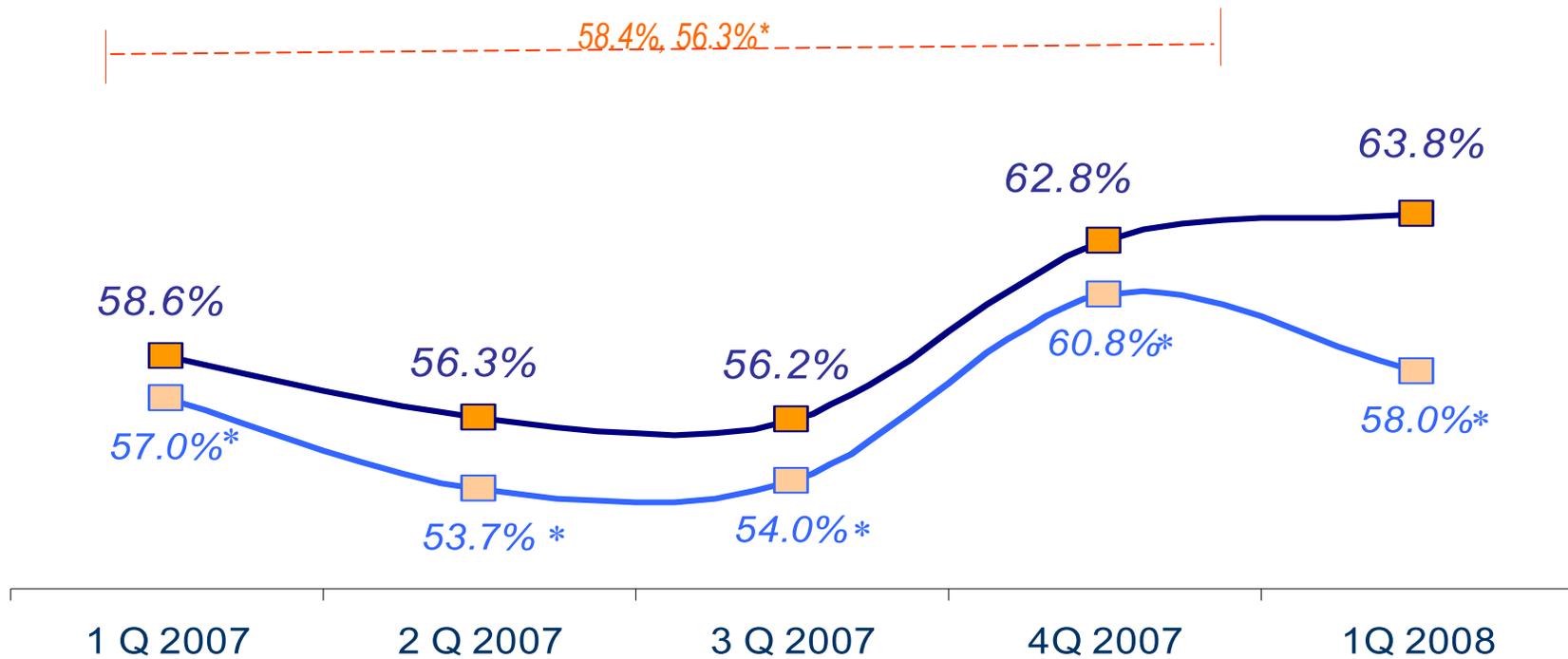
Total Expenses Q107oQ108 +2.7%, Salaries -1.5%

*Adjusted for special salary expenses

** average and adjusted for special salary expenses

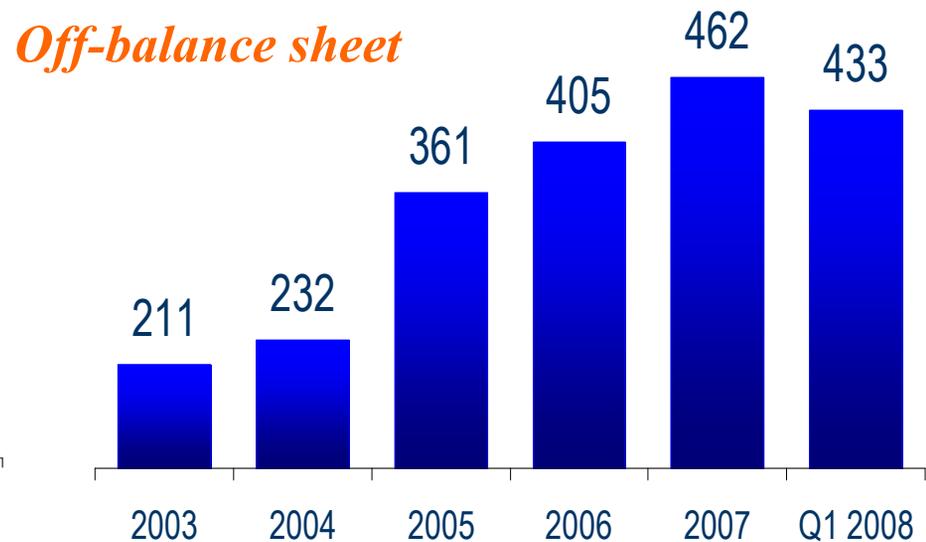
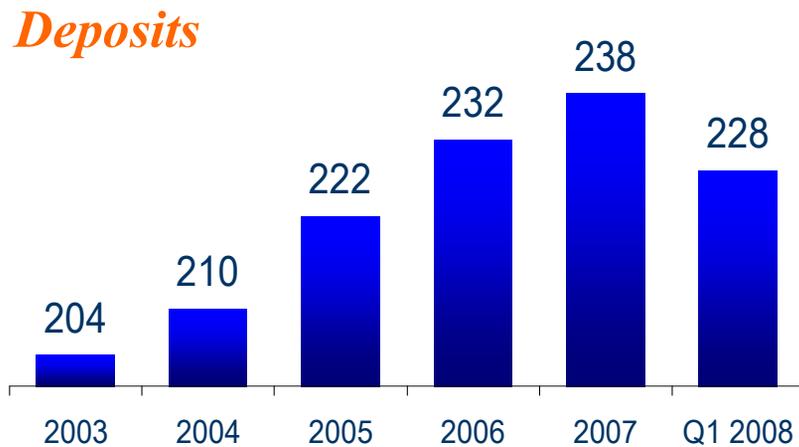
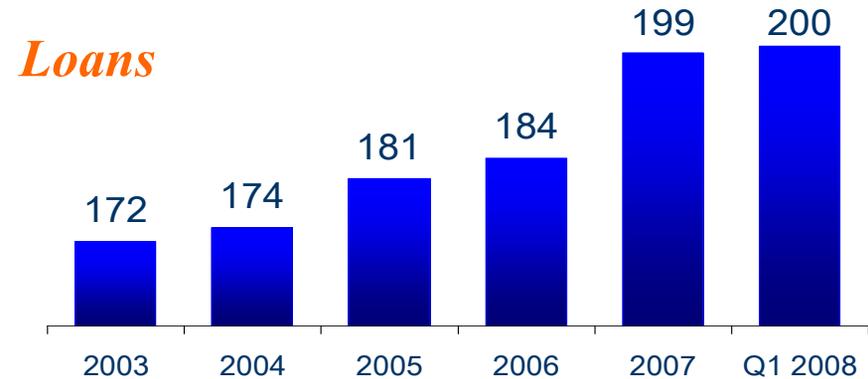


Efficiency Ratio



The appreciation of the Shekel had a strong influence on balance sheet and off-balance sheet growth

NIS billions

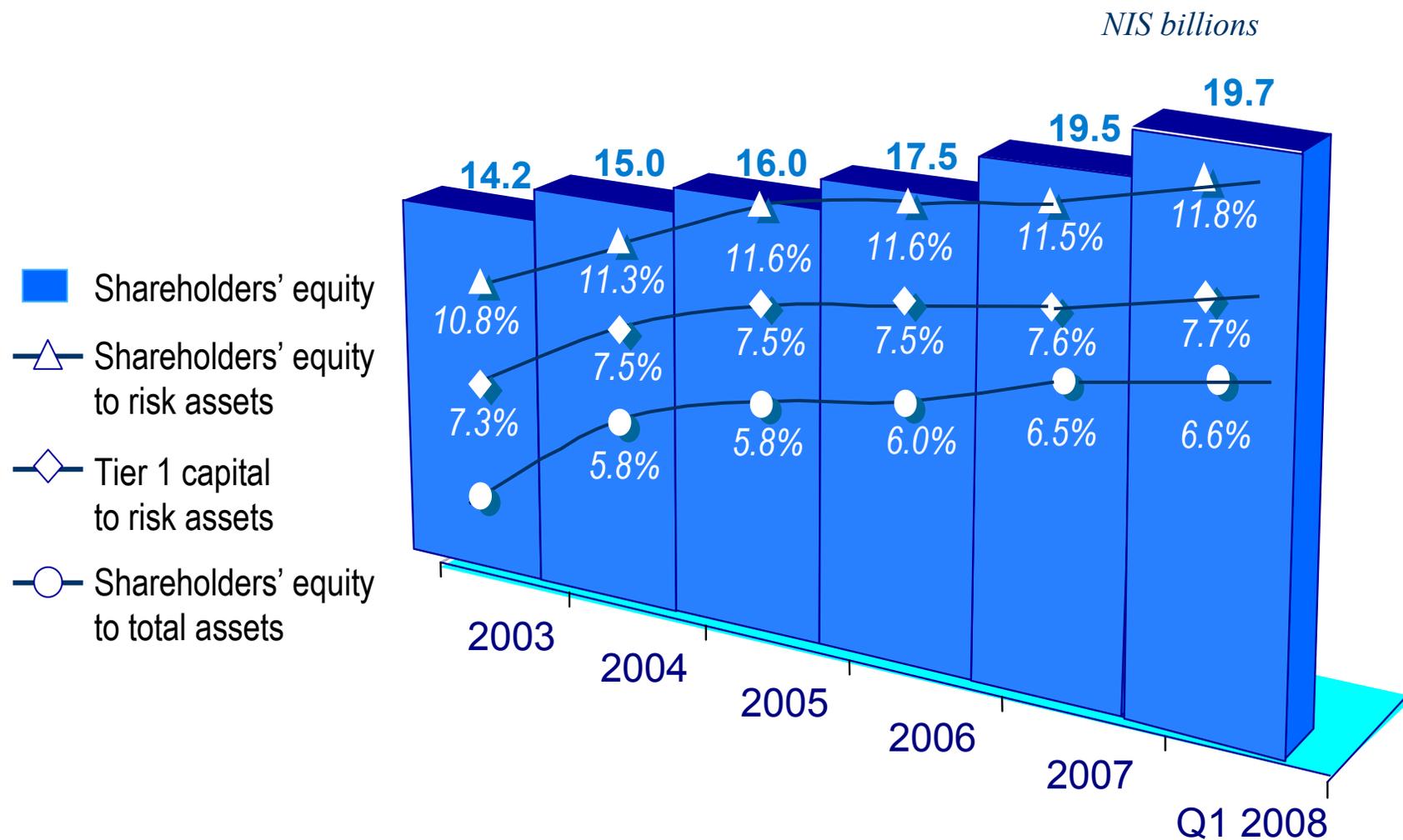


Changing composition of loans

NIS millions

	<i>31/03/2008</i>	<i>31/12/2007</i>	<i>% Change Q108oYE07</i>	<i>% Change Q108oQ107</i>
Households	22,159	21,704	2.1%	13.9%
Mortgages	36,884	36,590	0.8%	10.1%
Small businesses	17,797	17,729	0.4%	20.6%
Commercial banking	36,698	36,812	(0.3%)	4.2%
Corporate banking	53,194	52,814	0.7%	1.3%
Construction and real estate	25,824	25,514	1.2%	10.3%
Private banking	6,118	6,160	(0.7)%	12.5%

Solid capital base and adequacy levels



Negligible impact of US mortgage crisis

Asset-backed securities (MBS and ABS)

In US\$ millions at 31/03/2008

	<i>Amortized Costs</i>	<i>Unrealized profits from adjustments to fair value</i>	<i>Unrealized losses from adjustments to fair value</i>	<i>Amount in balance sheet (fair value)</i>
<i>Mortgage-backed securities (MBS):</i>				
<i>Pass-through securities:</i>				
Securities guaranteed by GNMA	27.7	0.1	-	27.8
Securities issued by FNMA and FHLMC	379.4	1.2	(4.9)	375.8
Securities issued by others	3.7	-	-	3.7
Total Interim MBS	410.8	1.3	(4.9)	407.3
<i>Other mortgage-backed securities (Including CMOs and STRIPPED MBS):</i>				
Securities issued by FNMA, FHLMC or GNMA, or guaranteed by these entities	581.0	1.4	(10.4)	572.2
Other mortgage-backed securities	29.3	-	(5.1)	24.1
Total Interim MBS	610.4	1.4	(15.5)	596.3
Asset-backed securities (ABS)	569.0	-	(86)	483.0*
Total asset-backed securities available for sale	1,590	2.8	(106.4)	1,487

Financial ratios

NIS millions

Q1 2007

Q1 2008

Balance sheet performance

Loans/Total assets	64%	67.1%
Deposits/Total assets	78.2%	76.5%
Loans/Deposits	81.9%	87.7%
Securities/Total assets	16.3%	15%
NPL/ Total assets	0.8%	0.5%
Capital adequacy	11.9%	11.8%