



Leumi Group

First Quarter 2009 Earnings Review





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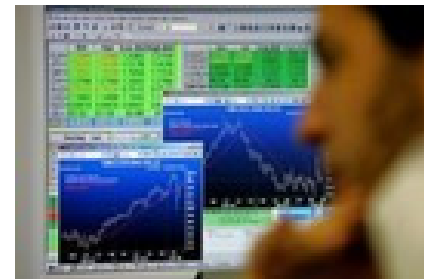
Main macroeconomic variables

		2006	2007	2008	2009*
Annual rates of change in real terms	GDP	5.2%	5.4%	4.0%	-0.9%
	Gross product of the business sector	6.4%	6.2%	4.4%	-2.0%
	Private consumption	4.0%	6.7%	3.9%	0.5%
	Public consumption	2.7%	2.9%	2.8%	3.0%
	Investment in fixed assets	9.9%	15.5%	5.1%	-5.2%
	Exports of goods and services	6.1%	8.5%	3.0%	-11.5%
	Imports of goods and services	3.6%	11.7%	2.2%	-10.1%
Percentage of GDP	Current account surplus(+)/deficit (-)	5.0%	2.6%	0.8%	2.3%
	Government budget surplus (+)/deficit (-)	-1.0%	0.0%	-2.1%	-6.0%
	Government debt	84.5%	78.5%	77.5%	85.8%
Annual average	Unemployment rate	8.4%	7.3%	6.1%	7.6%

*Leumi's forecast

Major items impacting Q1 2009 results:

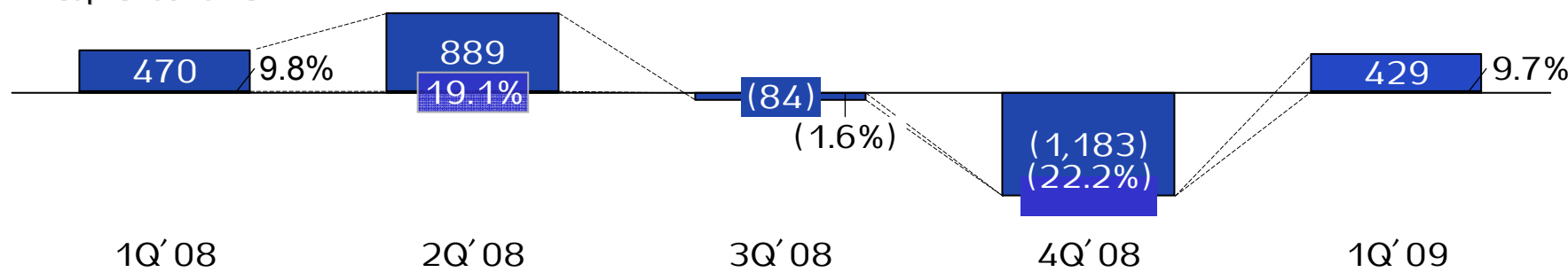
- Accounting calculations annualized
- Sharp market volatility
- Significant timing differences in the fair value of derivatives
- Exposure to overseas investments
- Reduction in expenses
- Negative impact of CDS spreads



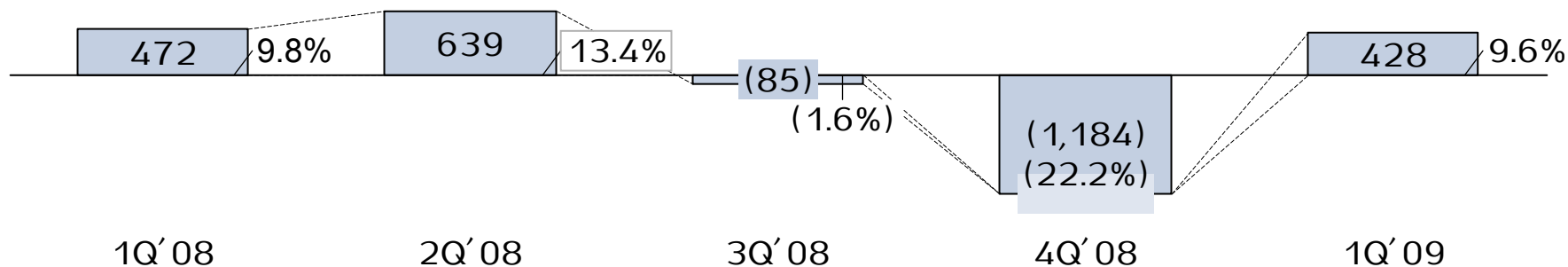
Net profit & net operating profit and ROE (in annual terms)

NIS millions	Q1'09	Q1'08	%Δ	Q1'09 ROE
Net Profit	429	470	(8.7)	9.7%
Net operating profit	428	472	(9.3)	9.6%

Net profit and ROE



Net operating profit and ROE



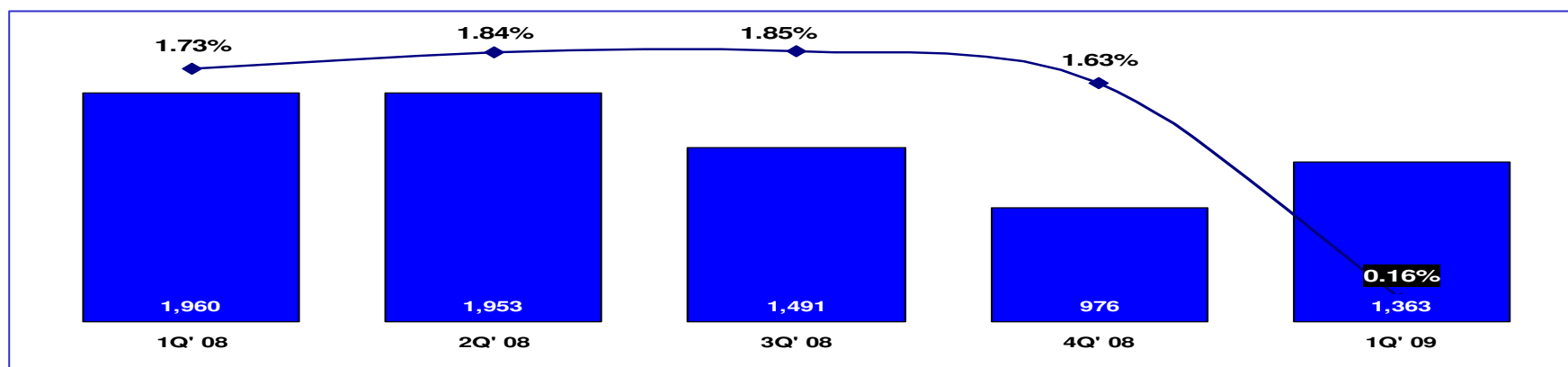
P&L highlights

NIS millions

	<i>Q1'2009</i>	<i>Q1'2008</i>	<i>Change</i>	<i>%Δ</i>
Net interest income before provision	1,362	1,960	(598)	(30.5)
Operating and other income	1,003	851	152	17.9
Total Income	2,366	2,811	(445)	(15.8)
Provision for doubtful debts	354	244	110	45.1
Operating and other expenses	1,564	1,794	(230)	(12.8)
Operating profit before tax	447	773	(326)	(42.2)
Companies included on the equity basis	34	87	(53)	(60.9)
Operating profit (loss)	428	472	(44)	(9.3)
Net profit	429	470	(41)	(8.7)

Net interest income

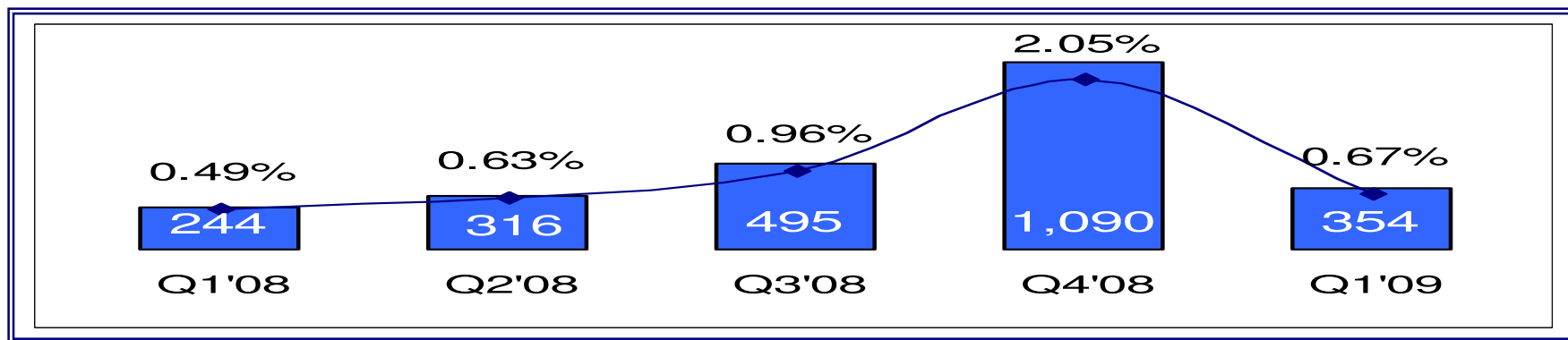
NIS millions



	31.03.09	31.03.08	Change	% Δ
Current activities	1,631	1,629	2	0.1
Adjustments of derivatives to fair value	(328)	(169)	(159)	94.1
Financing costs in connection with hedging overseas investments	(144)	27	(171)	-
Profits realized from the sale and adjustments to market value of debentures	302	113	189	167.3
Collection and reduction of interest in respect of problem loans	89	249	(160)	(64.3)
Provisions for decline in value of available- for-sale debentures	(46)	(11)	(35)	318.2
Exchange rate differentials in respect of shares that were credited to operating income	(109)	97	(206)	-
Effect of the known CPI	(33)	25	(58)	-
Total	1,362	1,960	(598)	(30.5)

Provision for doubtful debts

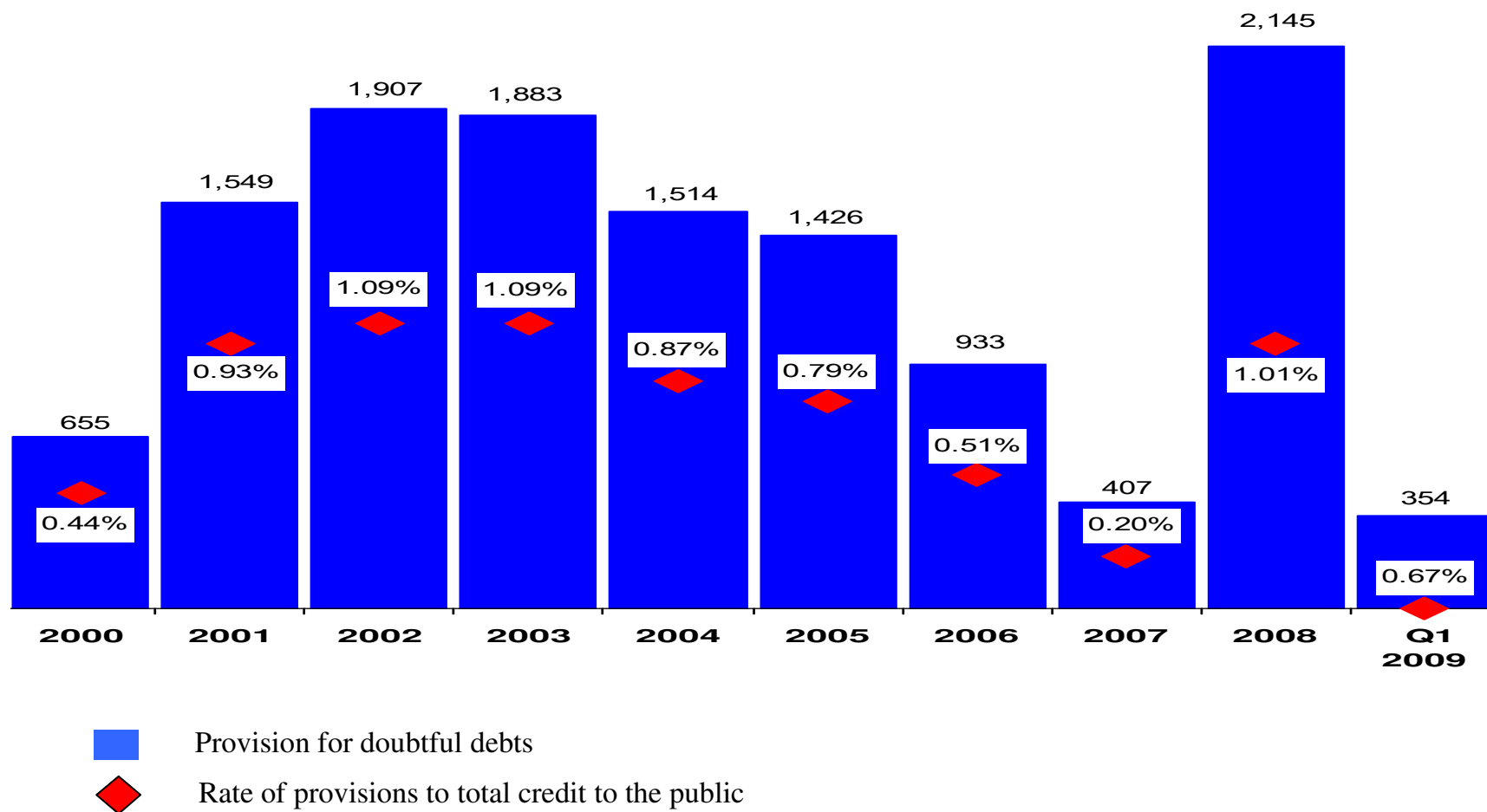
NIS millions



	Q1'09	Q1'08	Change	%Δ
Specific provision during the period	556	530	26	4.9
Reduction of a specific provision	(230)	(252)	22	(8.7)
Collection of debts previously written off	(3)	(9)	6	(66.7)
Net addition recorded in the profit and loss statement	323	269	54	20.1
Net addition recorded in the profit and loss statement re additional and general provision	31	(25)	56	+
Total provision for doubtful debts	354	244	110	45.1

Development of provision for doubtful debts

NIS millions

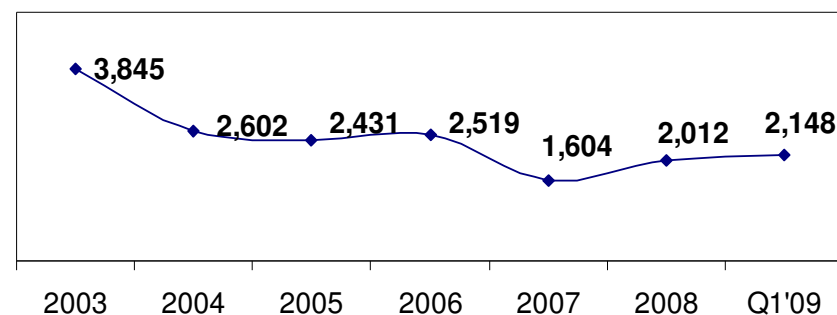


Problematic debts

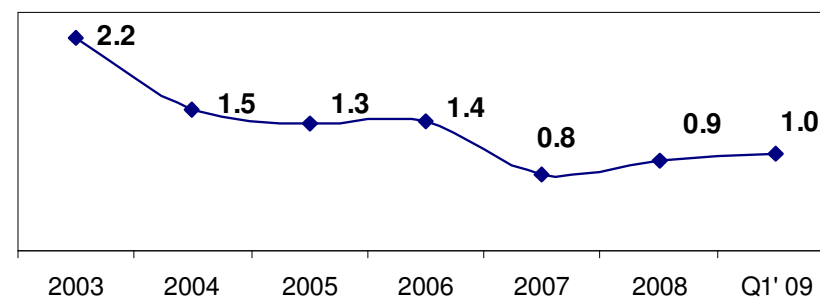
NIS millions

	31.03.09	31.12.08
Non-performing	2,148	2,012
Restructured or to be restructured	1,207	963
In temporary arrears	574	562
Under special supervision*	14,732	14,545
Total balance sheet credit risk	18,661	18,082
Off balance sheet credit risk	3,906	4,096
Other assets in respect of derivatives of problem borrowers	466	612
Total overall credit	23,033	22,790

Non-performing (NIS millions)



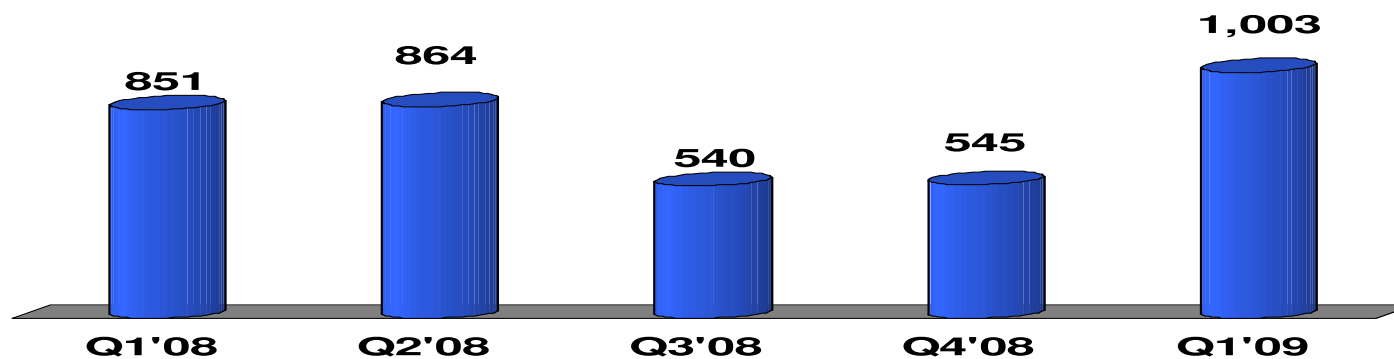
NPL/Total Loans (%)



**Including classified debts according to Directive 325 in the amount of NIS 1,709 million (NIS 1,830 million in 2008)*

Principal changes in operating & other income

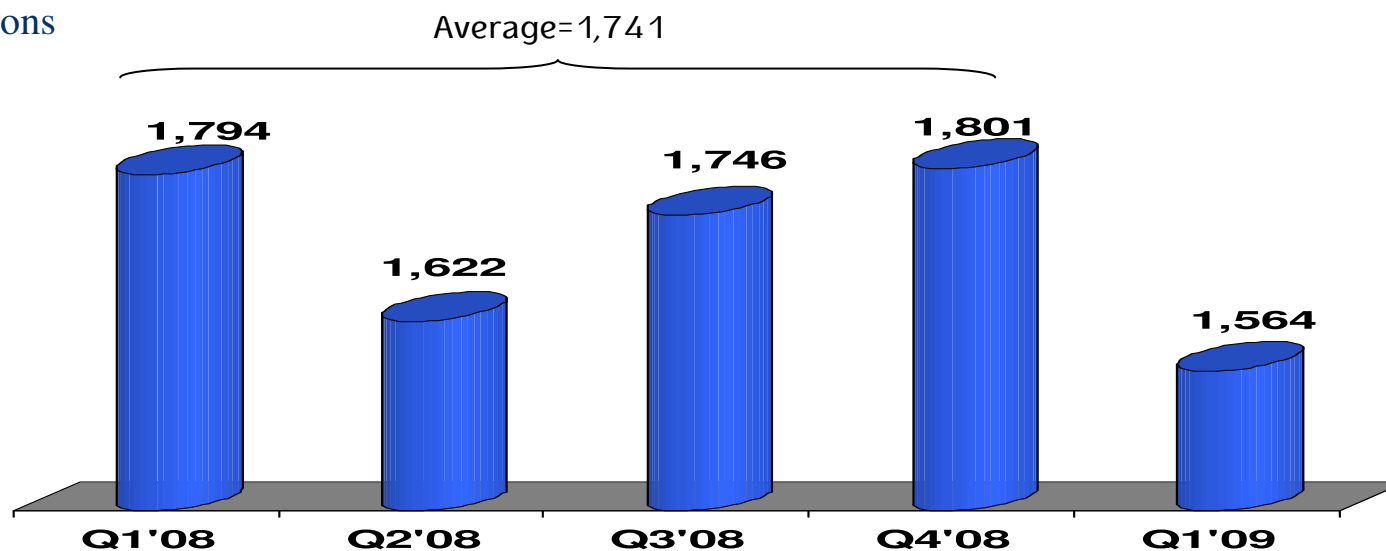
NIS millions



	<i>Q1'09</i>	<i>Q1'08</i>	Change	%Δ
Operating Commissions	831	902	(71)	(7.9)
Income (losses) from investments in shares	95	(71)	166	+
Other Income	77	20	57	+
Total	1,003	851	152	17.9

Operating expenses

NIS millions



	Q1'09	Q1'08	Change	Δ%
Salaries and related expenses	883	1,131	(248)	(21.9)
Building and equipment maintenance and depreciation	364	323	41	12.7
Other expenses	317	340	(23)	(6.8)
Total	1,564	1,794	(230)	(12.8)

Net profit by segment

NIS millions

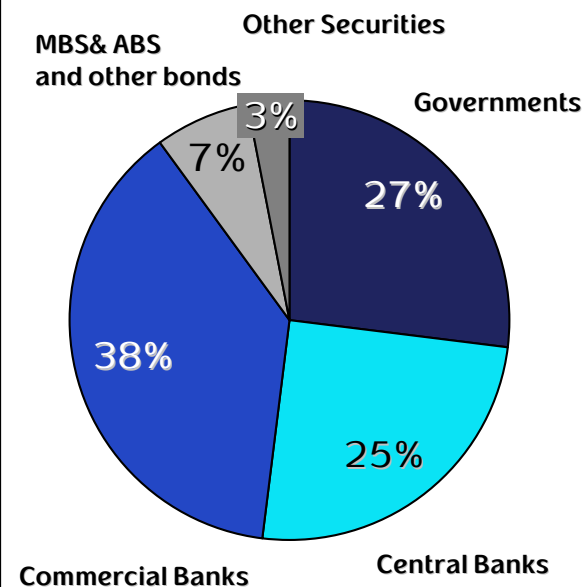
	<i>3M 2009</i>	<i>3M 2008</i>	<i>% Δ</i>	<i>Contribution to profit</i>
Households	54	155	(65.2)	12.6%
Small businesses	60	99	(39.4)	14.0%
Corporate banking	125	206	(39.3)	29.1%
Commercial banking	90	151	(40.4)	21.0%
Private banking	50	40	25	11.7%
Financial management- capital markets and others	50	(181)	+	11.6%
Total	429	470	(8.7)	100.0%

50% of nostro investments and deposits are with governments and central banks

31 March 2009, NIS billions

Investments in securities by asset class			Deposits with Banks	
Government Bonds	23.4	49.1%	Central Banks	20.0
Bonds of Foreign Banks	15.3	32.1%	<div> <div></div> <div>BOI 14.6</div> <div>Abroad 5.4</div> </div>	
MBS	4.2	8.0%		
ABS	0.9	2.1%	Banks and Financial Institutions abroad	16.1
Corporate Bonds in Israel	1.0	2.1%		
Total Bonds	44.8	93.9%	Banks in Israel	1.2
Shares of Israeli companies *	2.3	4.8%		
Funds/Shares abroad	0.6	1.3%	Cash	1.4
Total Securities Portfolio	47.7	100%	Total	38.7

Breakdown of nostro by counterparty



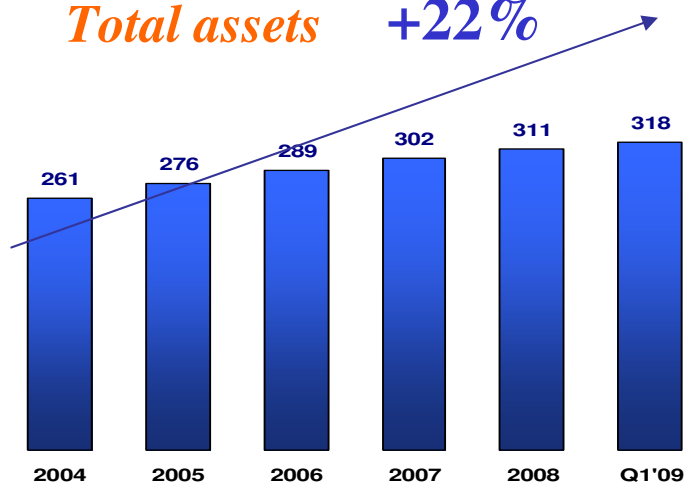
Total=NIS 86.4b

* Principally: Migdal, Bezeq, Hot, Superpharm

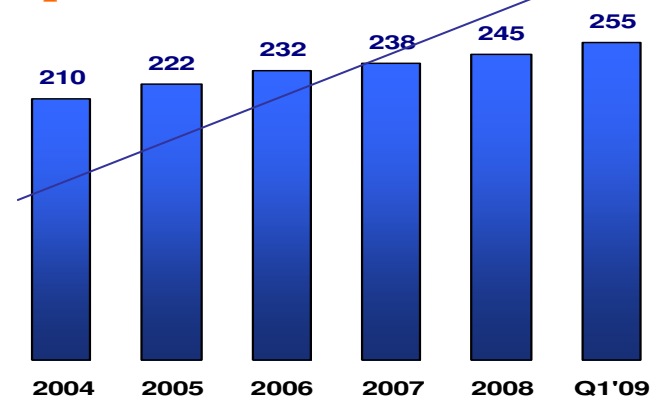
Continuing balance sheet growth

NIS billions

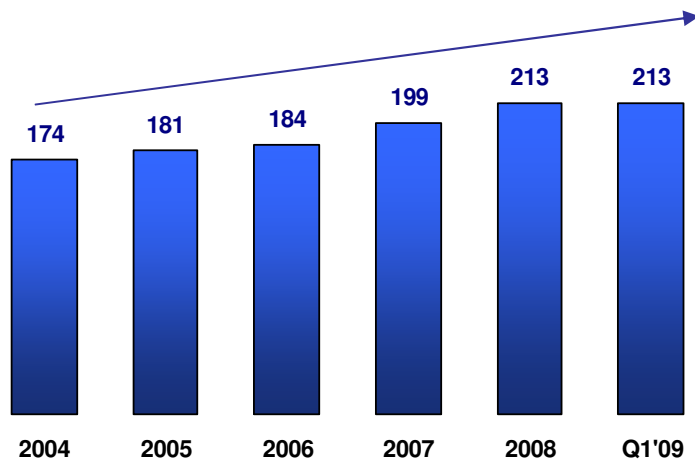
Total assets +22%



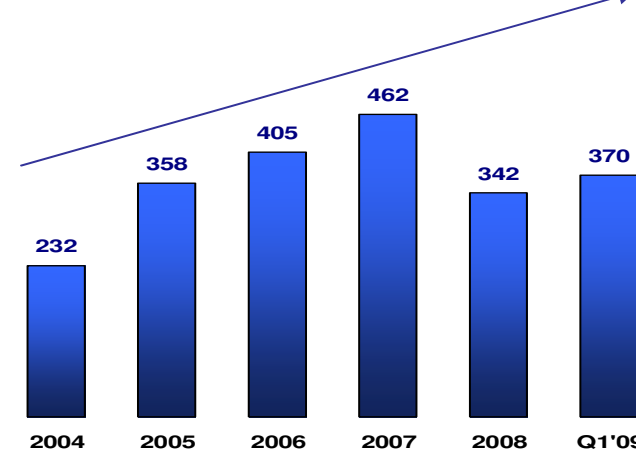
Deposits +21%



Credit +22%

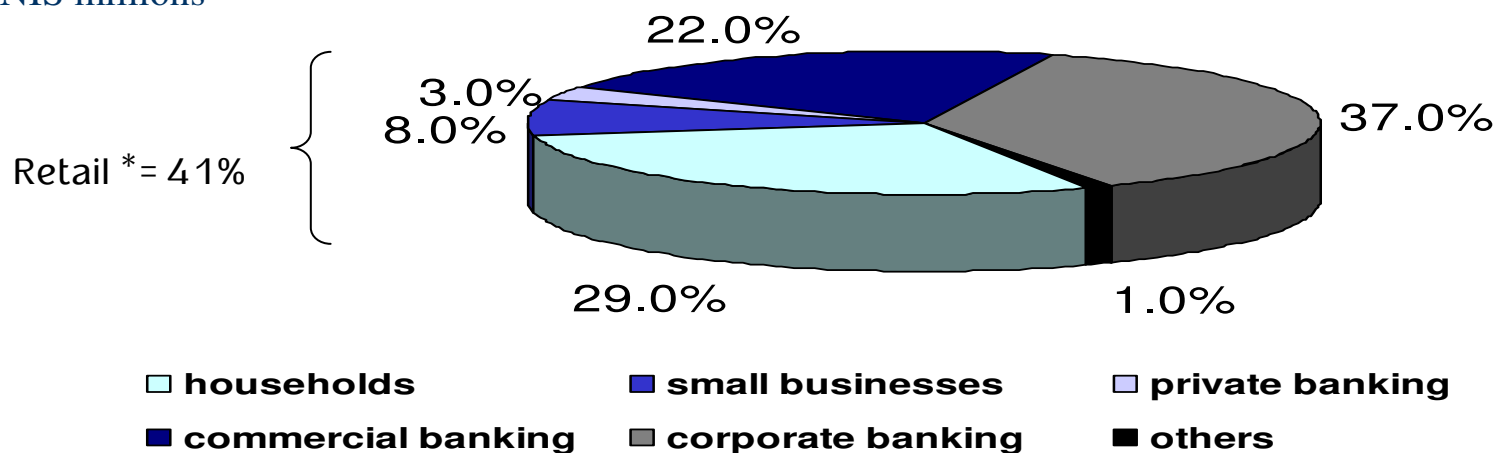


Off-balance sheet +59%



In recent years we have increased the diversification of our credit portfolio and focused on higher RoE segments

NIS millions

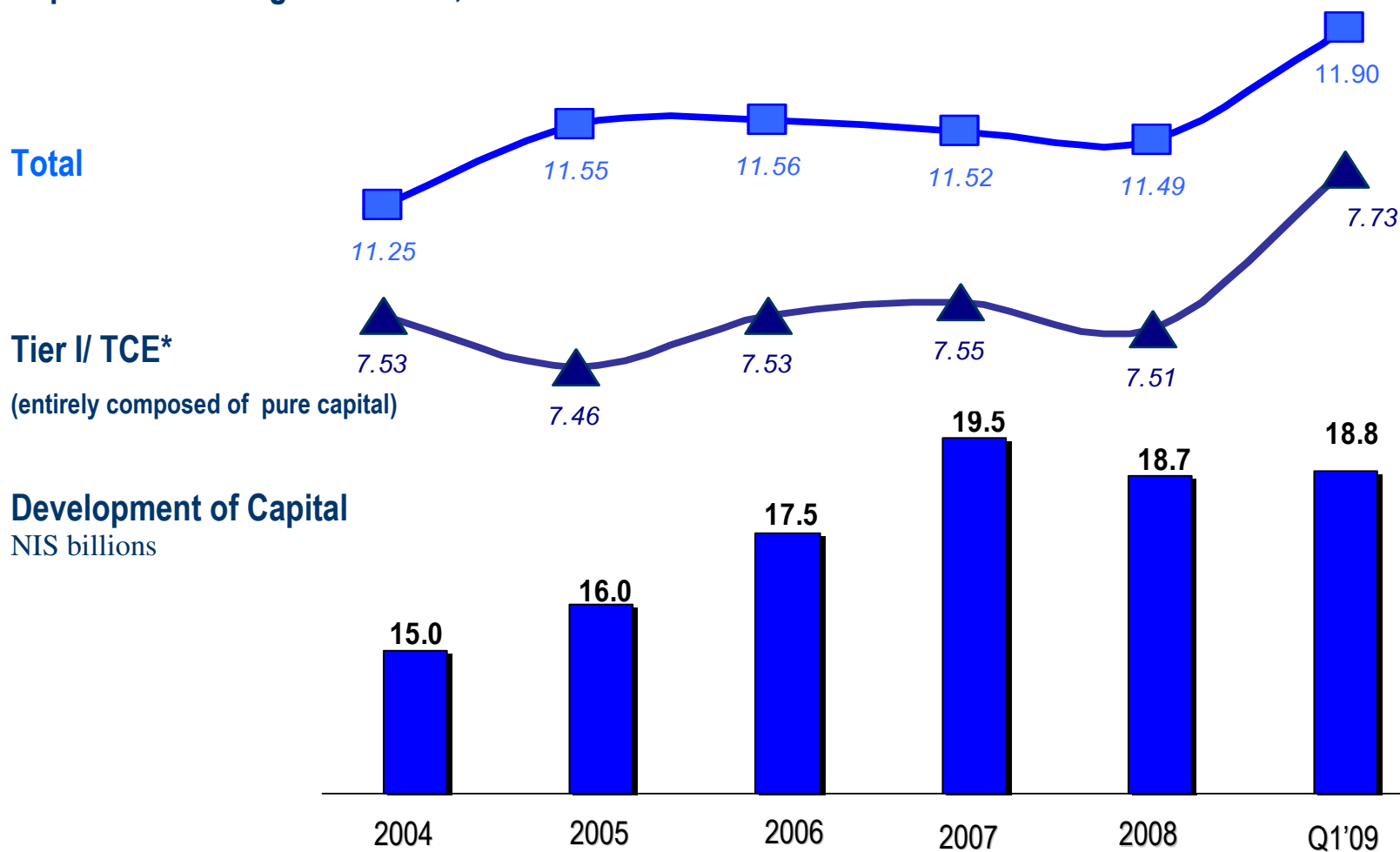


	31/03/2009	31/12/2008	% Change Q12009 31/12/08
Households	62,242	62,145	0.2%
Small businesses	17,711	18,161	(2.5%)
Commercial banking	47,095	48,506	(2.9%)
Corporate banking	77,873	76,563	1.7%
Private banking	6,470	6,438	0.5%
Financial management- capital markets and others	1,487	1,402	6.1%
Total	212,878	213,215	(0.2%)

* Retail includes households, small businesses & private banking.

Capital adequacy ratios remain solid

Capital to risk weighted assets, %



* Of that: goodwill amounts to some NIS 247 million

A strong balance sheet provides adequate platform to face crisis and support future growth plans

Solid capital base

- Capital adequacy ratio 11.9%
- Core tier 1 capital 7.73%

Liquid balance sheet

- Deposits increased by NIS 9.8b
- Loans/deposits ratio 84%

'Plain vanilla' balance sheet

- Loans: 67% of total assets
- Deposits: 80% of total assets

Credit quality

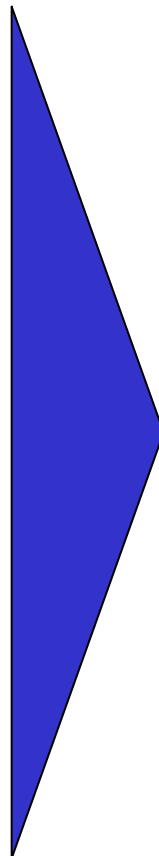
- NPL: 1.0% of total credit

**Economic
downturn**

**Volatile
financial markets**

**Scarcity of
liquidity**

**Failures and
nationalization of
global banks**



On the backdrop of the crisis, Leumi's strength is demonstrated by:

- **Liquid balance sheet**
- **Strong capital position**
- **Stable revenues from core banking activities**
- **Continuous growth of asset base**
- **No toxic assets**
- **Dominant and stable franchise in Israel 30% market-share.**
- **Large International presence.**
- **Diversified income sources.**