


Leumi Group

First Quarter 2010 Financial Results Discussion





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Main macroeconomic variables

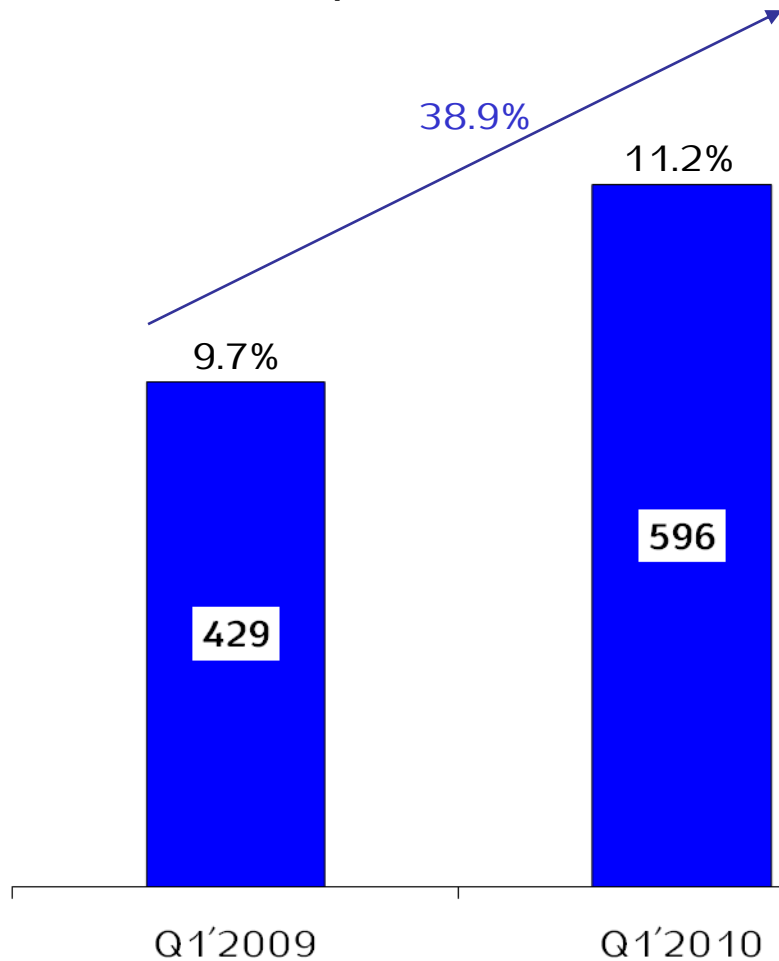
		2009	2010*	2011**
Annual Rates of Change, Real Terms	GDP	0.7%	3.8%	3.2%
	Gross product of the business sector	-0.2%	4.4%	3.8%
	Private consumption	1.5%	3.3%	3.3%
	Public consumption	2.1%	2.7%	1.3%
	Investment in fixed assets	-6.0%	-0.2%	5.6%
	Exports of goods and services	-12.5%	10.3%	5.8%
	Imports of goods and services	-14.0%	11.7%	5.9%
Percentage of GDP	Current account surplus(+)/deficit (-)	3.7%	2.5%	2.4%
	Government budget surplus (+)/deficit (-)	-5.1%	-4.2%	-2.9%
	Government debt	80.0%	82.0%	82.0%
Annual Average	Unemployment rate	7.6%	6.9%	6.7%
	Consumer price index, year-end change	3.9%	1.3%	2.4%
Additional Data	Shekel / US\$ average exchange rate	3.93	3.75	3.72
	Bank of Israel average interest rate	0.8%	1.9%	3.1%

*Leumi Estimate **Leumi forecast

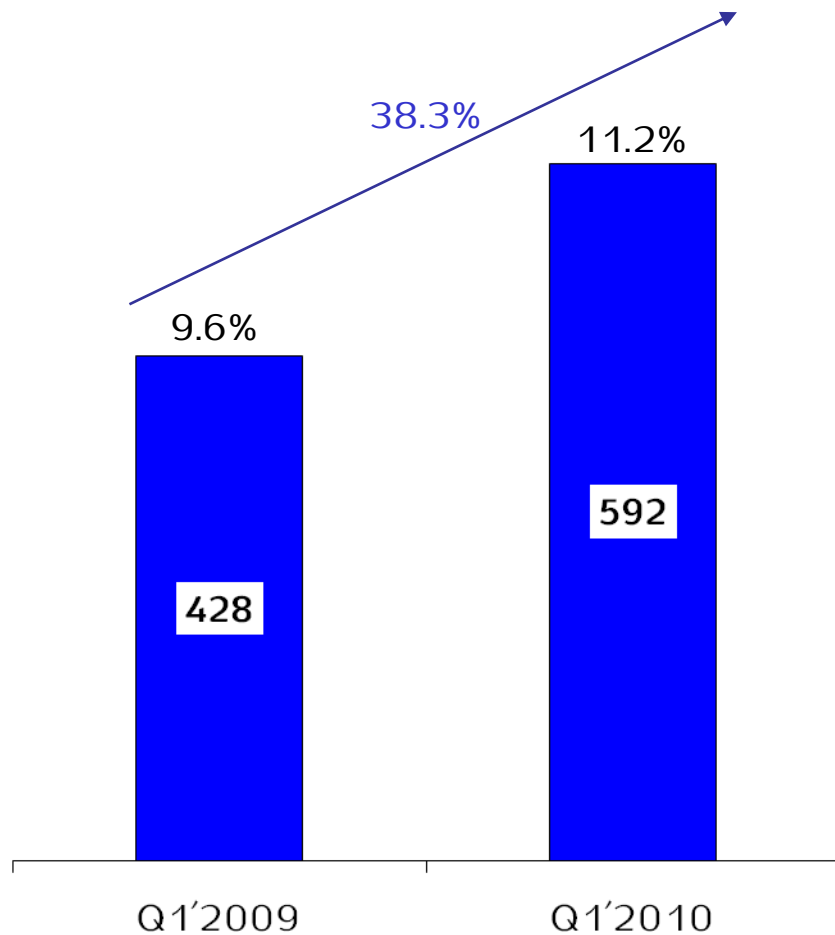
A sharp rebound in profitability

NIS millions

Net profit and ROE



Net operating profit and ROE



Strong P&L performance

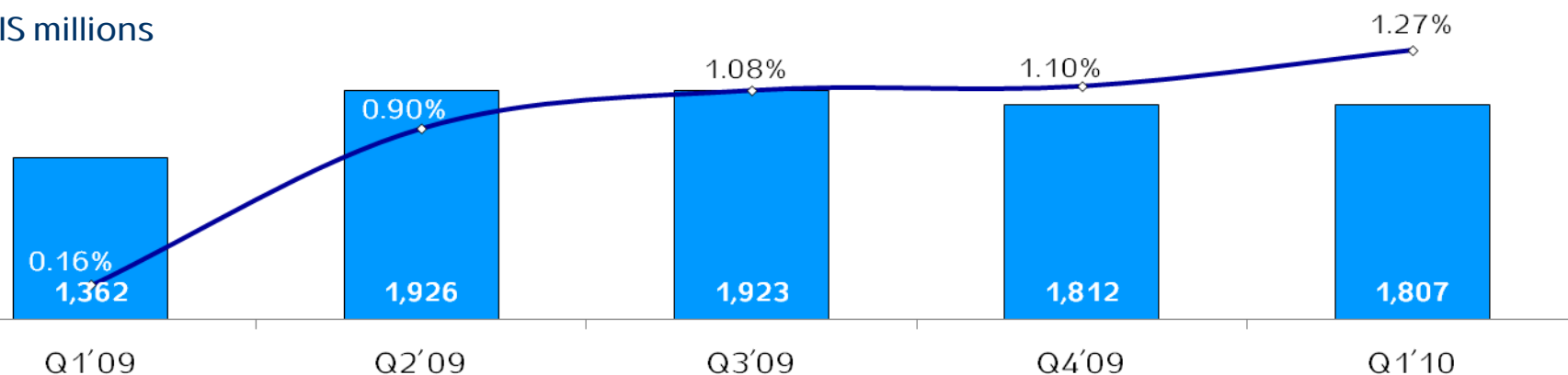
NIS millions

P&L Highlights

	Q1'2010	Q1'2009	Δ	Δ%
Net interest income before provision	1,807	1,362	445	32.7
Operating and other income	999	1,003	(4)	(0.4)
Total Income	2,806	2,365	441	18.7
Provision for doubtful debts	130	354	(224)	(63.3)
Operating and other expenses	1,833	1,564	269	17.2
Companies included on the equity basis	85	34	51	+
Operating profit (loss)	592	428	164	38.3
Net profit	596	429	167	38.9

Net interest income: increase of 32.7% year on year

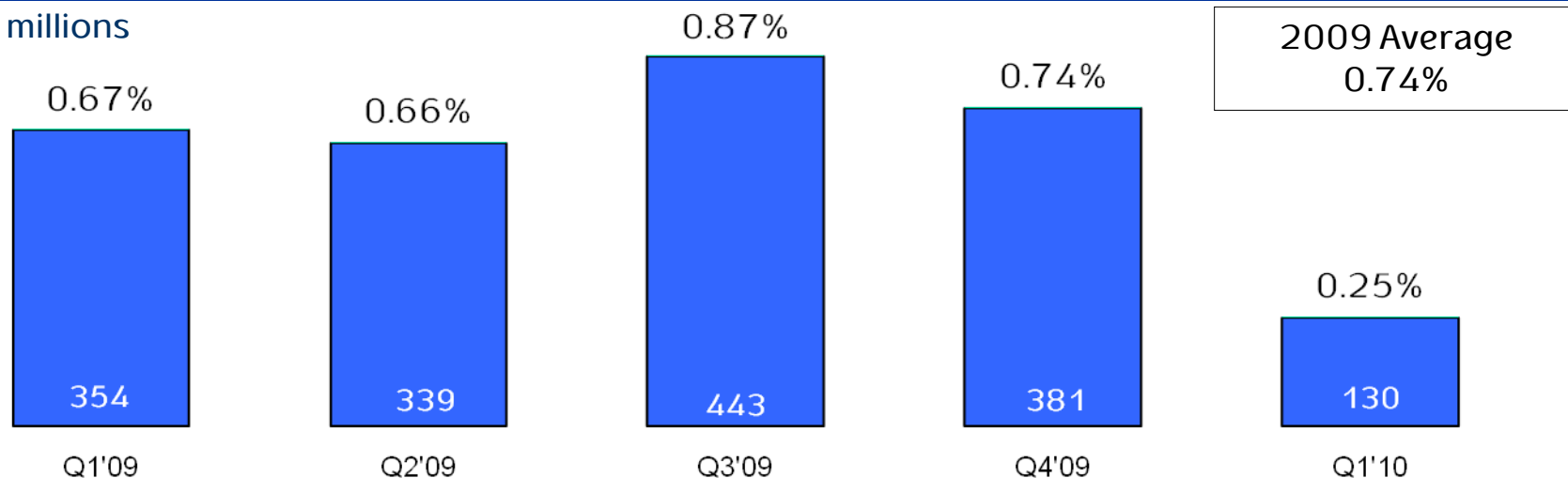
NIS millions



	Q1'2010	Q1'2009	Δ	Δ%
Current activities	1,592	1,633	(41)	(2.5)
Collection and reduction of interest in respect of problem loans	144	89	55	61.8
Exchange rate differentials in respect of financing shares recorded in operating income or capital fund	(5)	(109)	104	+
Profits (losses) from sale of available-for-sale debentures, net	65	143	(78)	(54.5)
Profits (losses) that were realized and that have not been realized from adjustments to market value of debentures for trading	70	113	(43)	(38.1)
Financing costs in connection with hedging overseas investments	40	(146)	186	+
Adjustments of derivatives to fair value	(84)	(328)	244	+
Effect of the known CPI	(15)	(33)	18	+
Total	1,807	1,362	445	32.7

A sharp reduction in provisions for doubtful debts

NIS millions

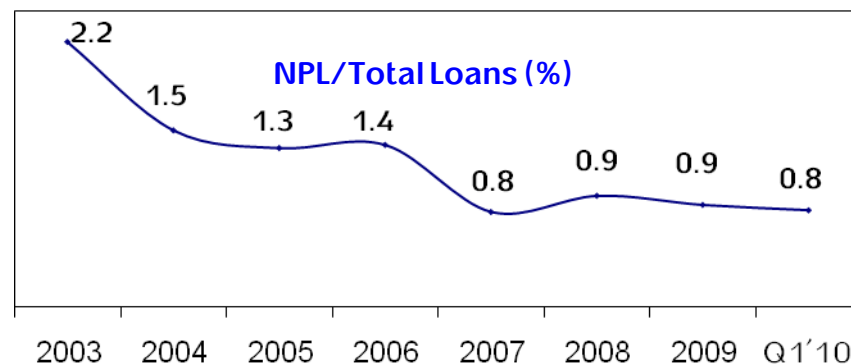
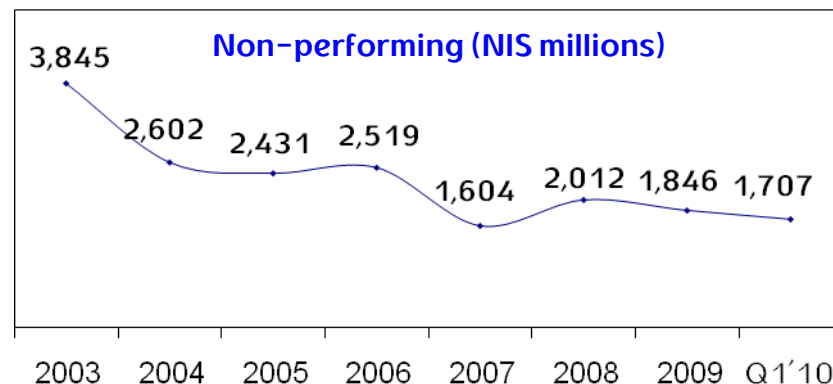


	Q1'10	Q1'09	Δ	Δ%
Specific provision during the period	366	556	(190)	(34.2)
Reduction of a specific provision	(200)	(230)	30	(13.0)
Collection of debts previously written off	(7)	(3)	(4)	+
Net addition recorded in the profit and loss statement	159	323	(164)	(50.8)
Net addition recorded in the profit and loss statement re additional and general provision	(29)	31	(60)	-
Total provision for doubtful debts	130	354	(224)	(63.3)

Level of problematic debt continues to decline

NPL ratio well below average of recent years

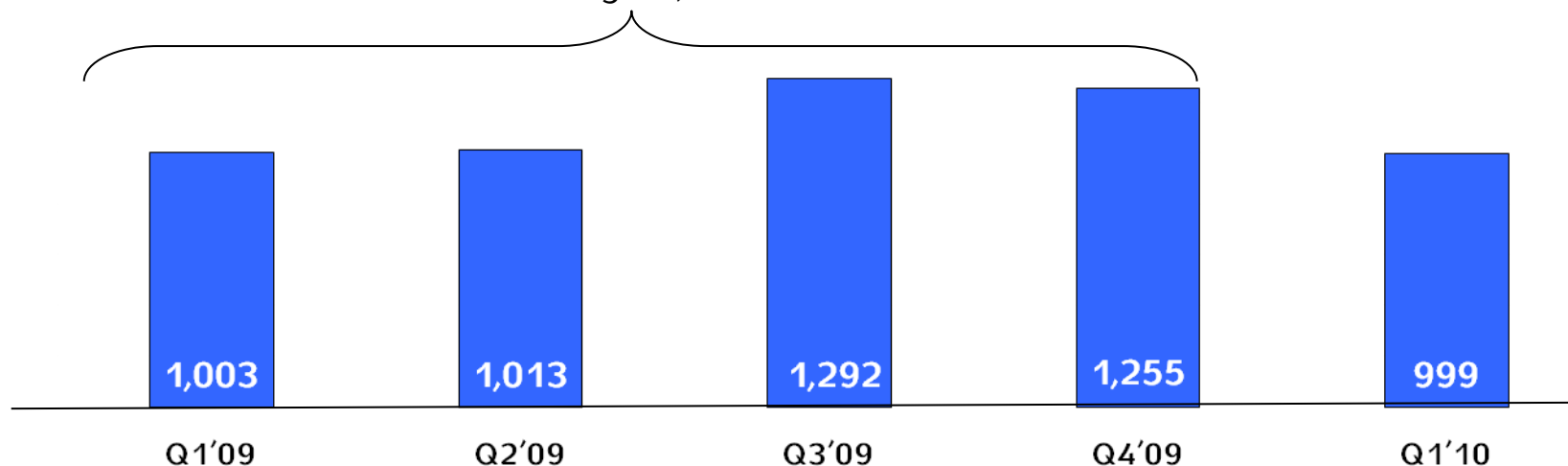
NIS millions	31.03.10	31.12.09	%
Non-performing	1,707	1,846	(7.5)
Restructured and to be restructured	1,411	1,089	29.6
In temporary arrears	681	584	16.6
Under special supervision*	11,356	12,349	(8.0)
Total balance sheet credit risk	15,155	15,868	(4.5)
Off balance sheet credit risk	3,123	3,065	1.9
Debentures of problem borrowers and the banks' overall credit risk	589	873	(32.5)
Other assets in respect of derivatives of problem borrowers	101	252	(59.9)
Total overall credit	18,968	20,058	(5.4)



Operating & other income

NIS millions

Average 1,141

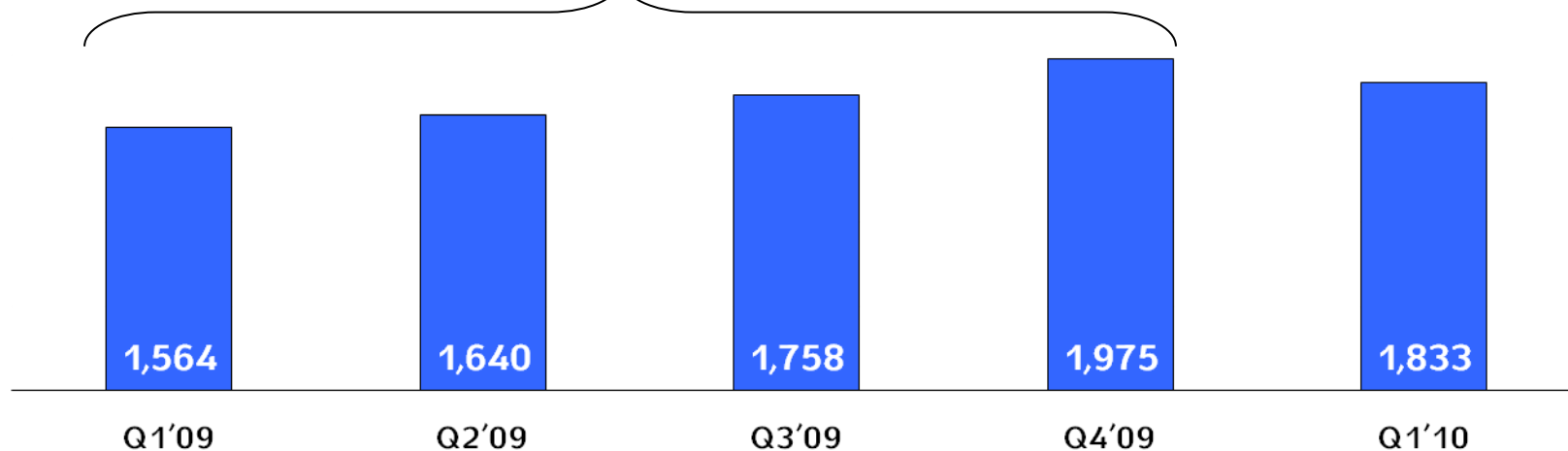


	Q1'10	Q1'09	Δ	Δ%
Operating Commissions	904	831	73	8.8
Income (losses) from investments in shares	74	95	(21)	(22.1)
Other Income	21	77	(56)	(72.7)
Total	999	1,003	(4)	(0.4)

Operating expenses

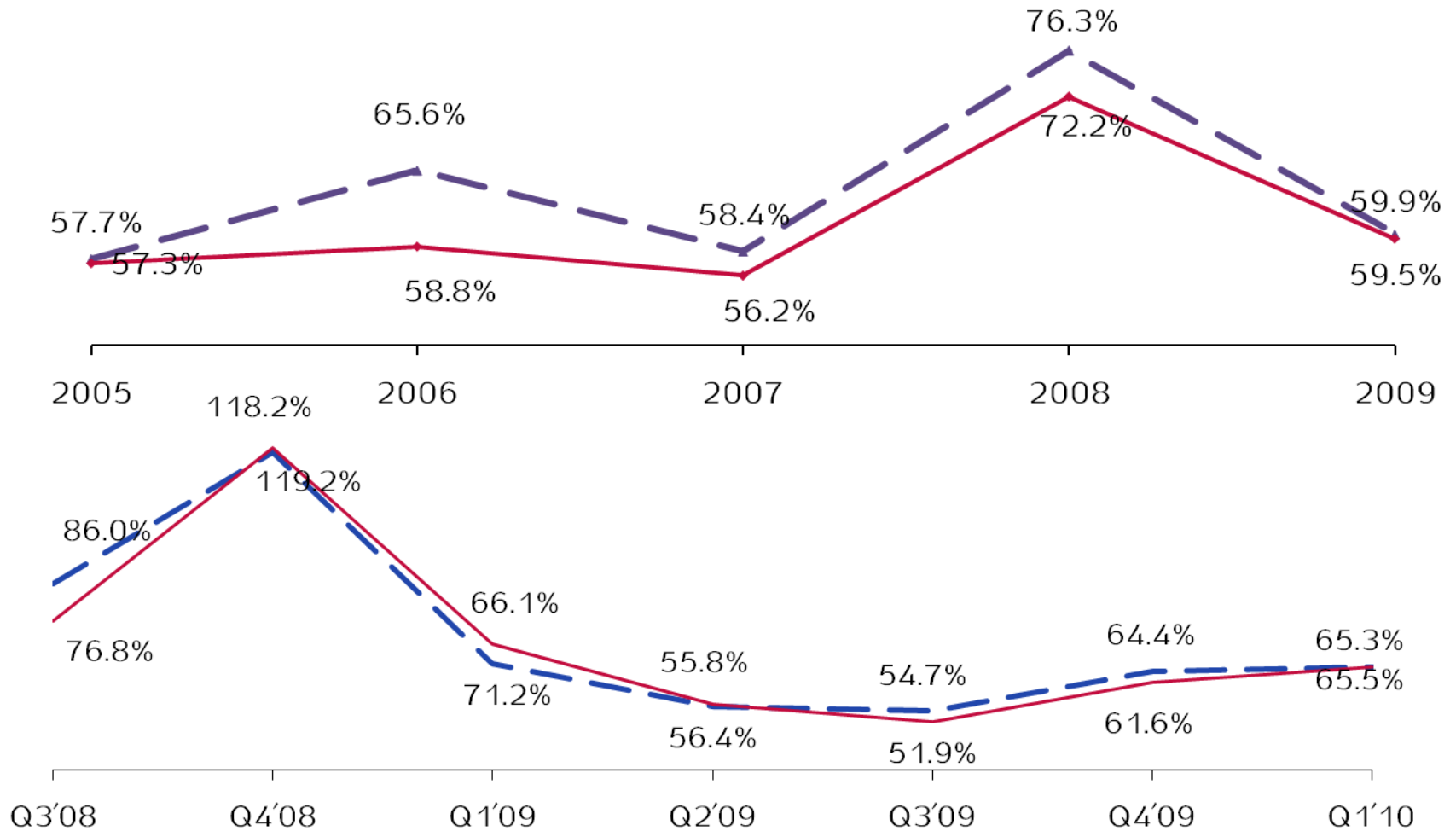
NIS millions

Average 1,734



	Q1'10	Q1'09	Δ	Δ%
Salaries and related expenses	1,136	883	253	28.7
Building and equipment maintenance and depreciation	380	364	16	4.4
Other expenses	317	317	-	0.0
Total	1,833	1,564	269	17.2

Cost/Income



— Cost/Income Ratio — Adjusted for special salary expenses

Net operating profit* by segment: building on diversification & core banking activities

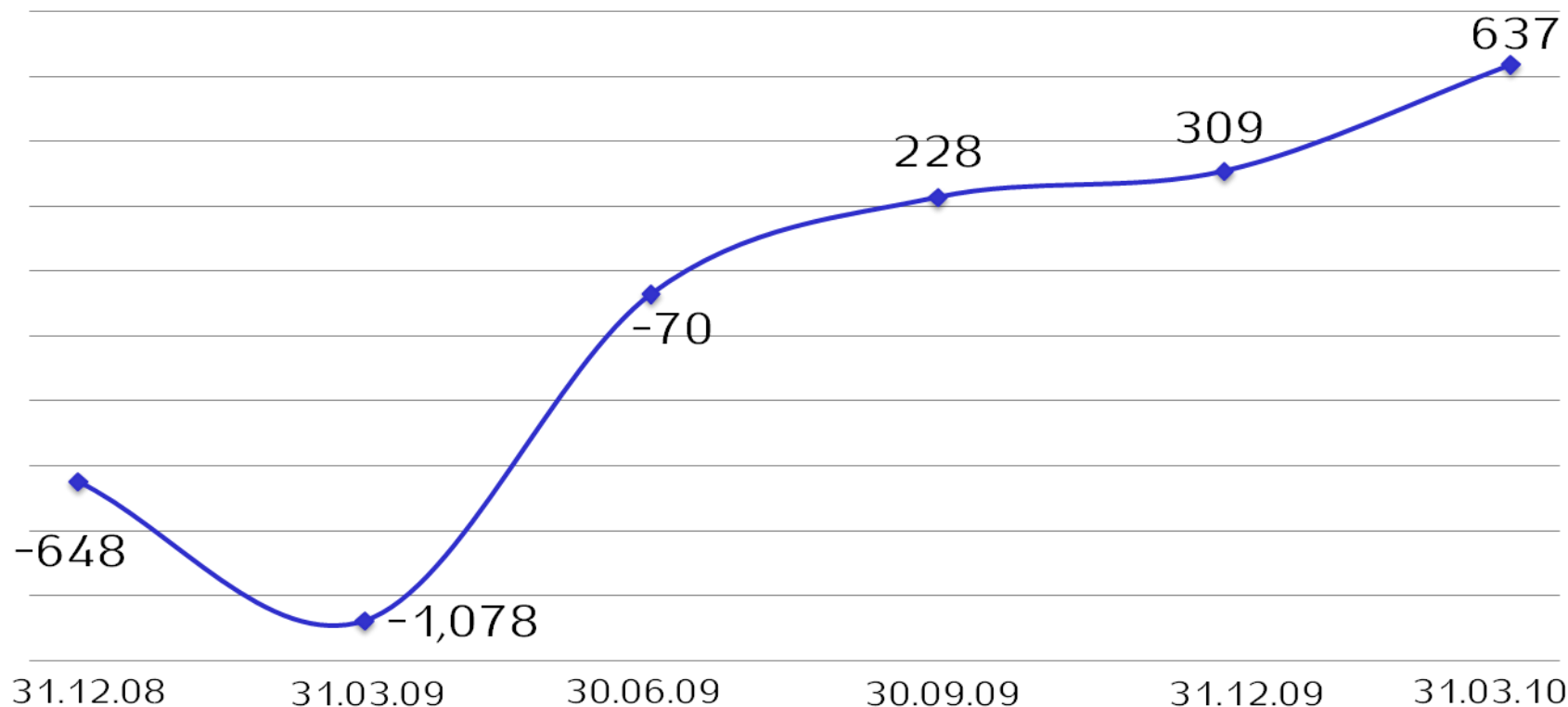
NIS millions

	Q1'2010	Q1'2009	Δ%	Contribution to profit
Households	36	56	(35.7)	6.1
Small businesses	72	60	20.0	12.2
Corporate banking	229	125	83.2	38.8
Commercial banking	110	105	4.8	18.6
Private banking	29	26	11.5	4.9
Financial management –capital markets and others	114	(20)	+	19.3
Total	590	352	67.6	100.0%

**adjusted for special salary expenses*

A sharp increase in the value of bonds

Other Comprehensive Income*



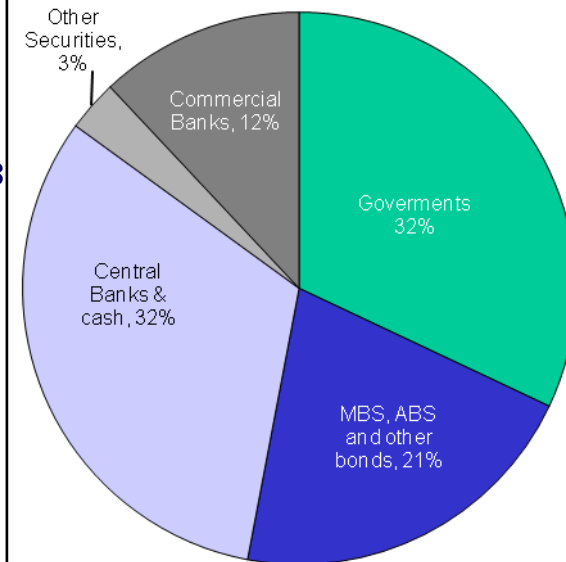
* Net balances in shareholders' equity (net adjustments in respect of available-for-sale securities)

Low risk: 64% of nostro investments are with governments and central banks

31 March 2010, NIS billions

Investments in securities by asset class			Deposits with Banks	
Israeli Government Bonds	27.0	51.4%	Central Banks	28.0
Bonds of Foreign Banks & Foreign Governments	15.8	30.1%	<div> <div></div> <div>BOI</div> <div>25.5</div> </div> <div> <div></div> <div>Abroad</div> <div>2.5</div> </div>	
MBS	4.8	9.1%		
ABS	0.9	1.7%	Banks and Financial Institutions abroad	10.3
Corporate Bonds in Israel	1.2	2.3%		
Total Bonds	49.7	94.6%	Banks in Israel	1.4
Shares of Israeli companies *	2.2	4.2%		
Funds/Shares abroad	0.6	1.2%	Cash	2.0
Total	52.5	100%	Total	41.7

Breakdown of nostro by counterparty



Total NIS 94.2b

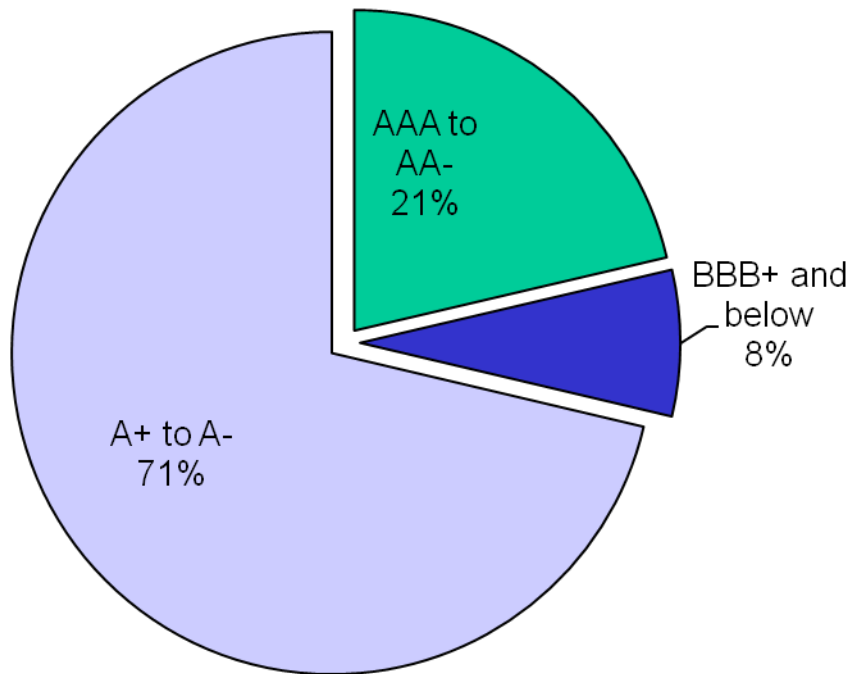
* Principally: Migdal, Super-Pharm, Partner

Low risk: 94% of exposure is with institutions rated A- and above

31 March 2010, NIS billions, % of total

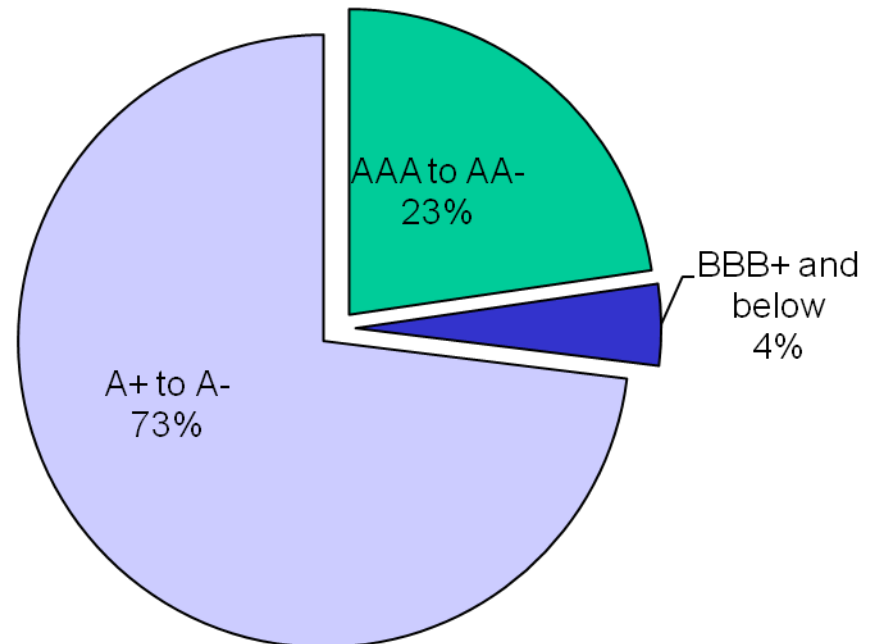
Total exposure to foreign financial institutions*

Total = 26.6



Exposure to securities of foreign financial institutions

Total = 12.7



* Includes on and off balance sheet risk

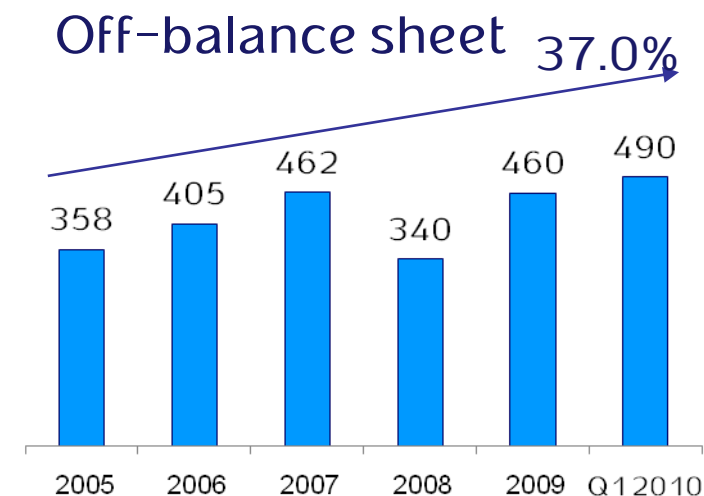
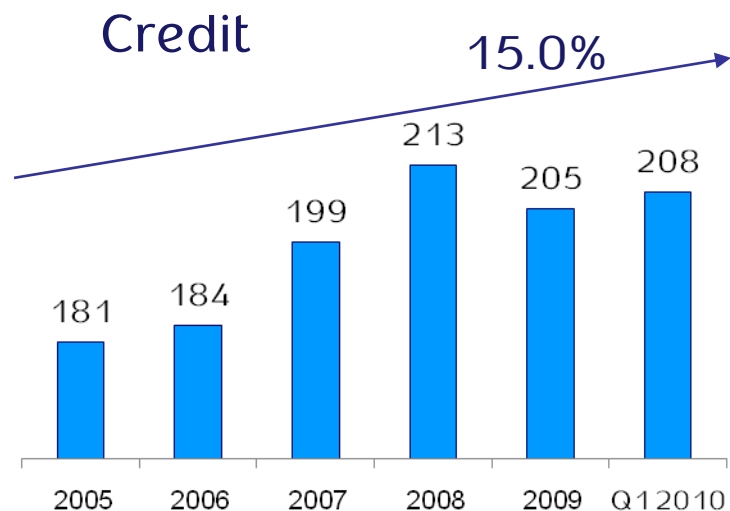
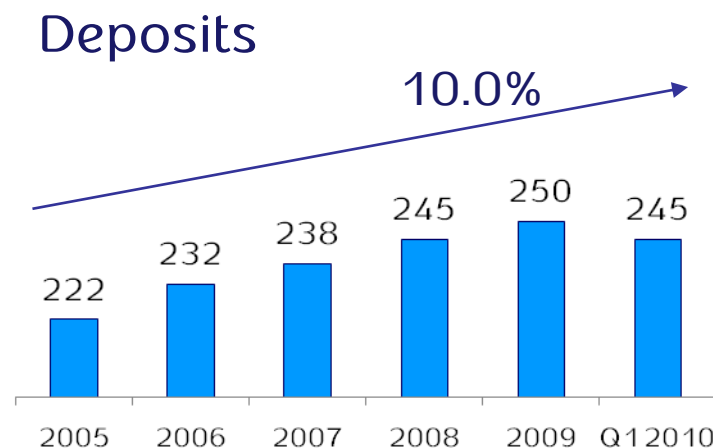
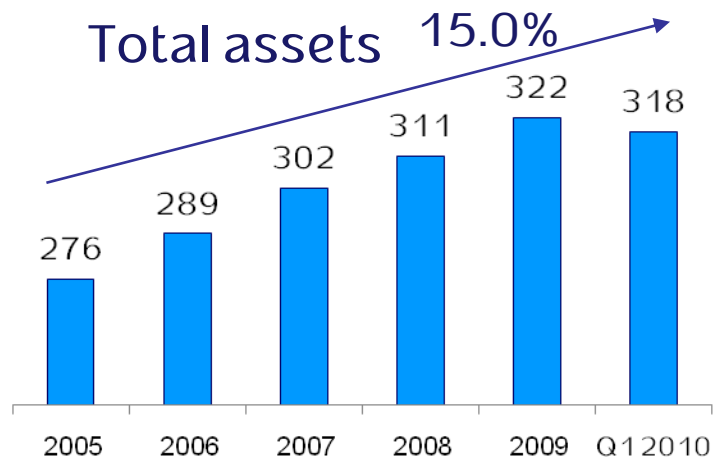
Exposure to Portugal, Ireland, Greece and Spain (PIGS)

NIS millions

Country	Total Exposure	
	31/03/2010	20/05/2010
Ireland	305	225
Greece	5	5
Spain	749	533
Portugal	15	15
Total	1,074	778

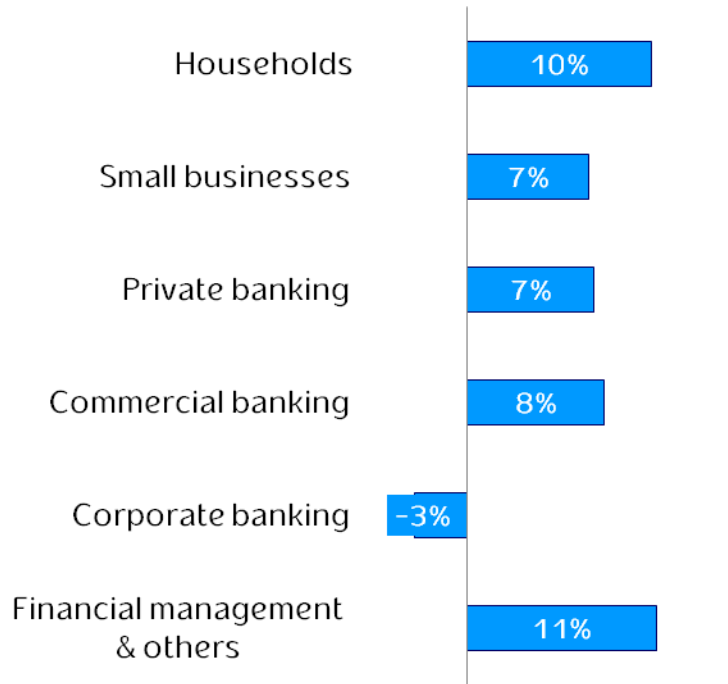
Execution of a well-defined strategy and consistent focus support growth trends

NIS billions

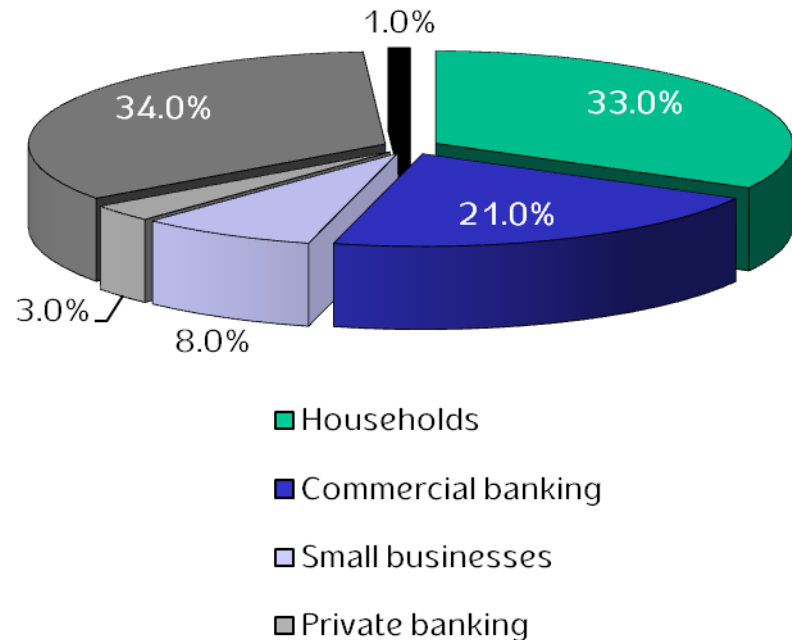


In recent years we have increased the diversification of our credit portfolio and focused on higher RoE segments

YoY growth of loan portfolio by segment
2004-2009, CAGR (%)



Composition of loan portfolio by segment 2009, %

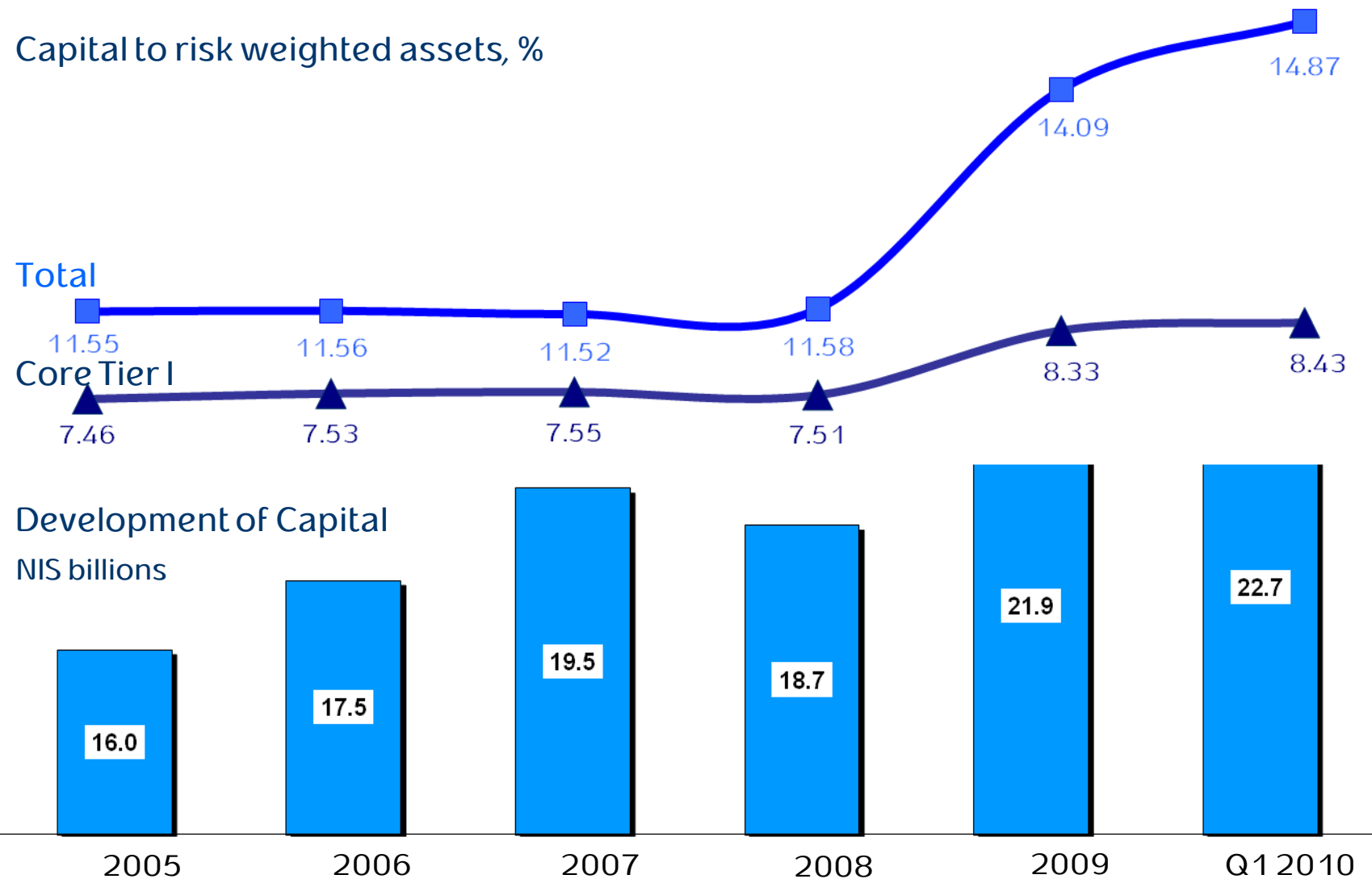


Development of credit according to segments

NIS millions

Segment	31/03/2010	31/12/2009	Δ%
Households	22,719	22,461	1.2
Mortgages	45,529	44,428	2.5
Small businesses	17,590	17,653	(0.4)
Private banking	6,150	6,439	(4.5)
Total retail	91,988	90,981	1.1
Commercial banking	44,210	43,516	1.6
Corporate banking	70,415	69,089	1.9
Financial management, capital markets and others	1,000	1,083	(7.7)
Total corporate	115,625	113,688	1.7
Total	207,613	204,699	1.4

Strong capital position: A core strength*



*From 2009 as per Basel II

A strong balance sheet supports sustainable profitability and growth

Solid capital base

- BIS 2: 14.87%; Core Tier 1: 8.43%

Liquid balance sheet

- Loans/deposits ratio 85%

'Plain vanilla' balance sheet

- Credit to total assets: 65%
- Deposits to total assets: 77%
- Deposits/Credit: 118%

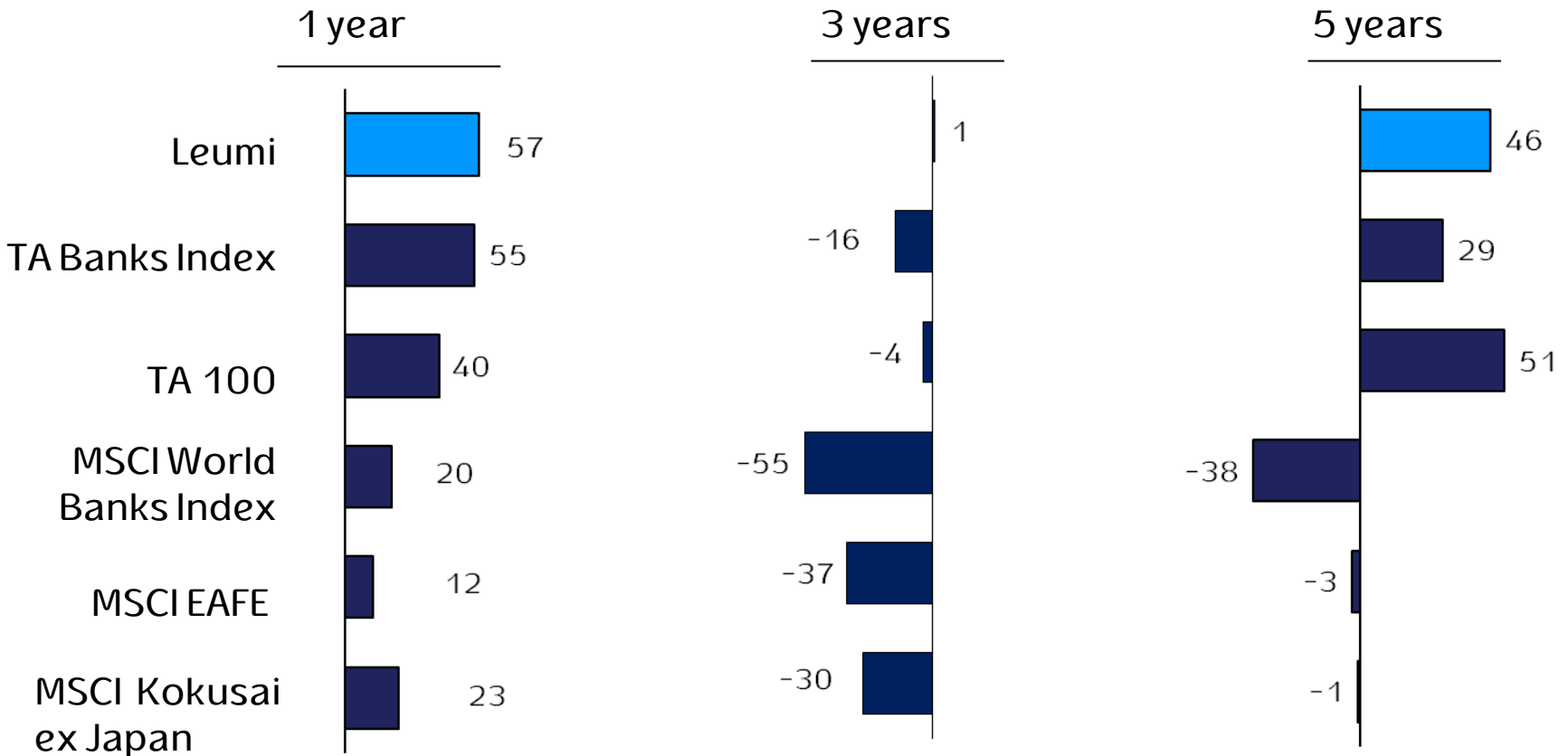
Credit quality

- NPL: 0.8% of total credit

Low risk, high return

as of 17/05/10 ,%

Shareholders' Returns*



* Stock appreciation & dividends

Thank You

Wherever you wish to go, Leumi is with you

