


# Leumi Group

Second Quarter 2010 Earnings Review





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# Main macroeconomic variables

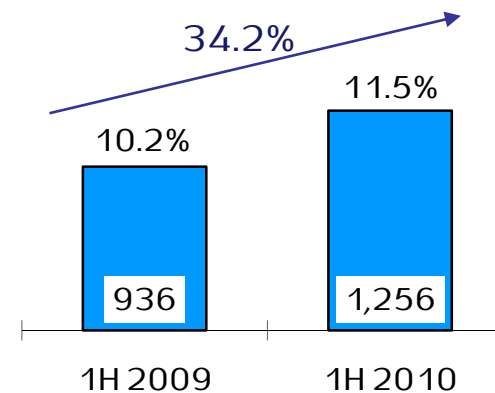
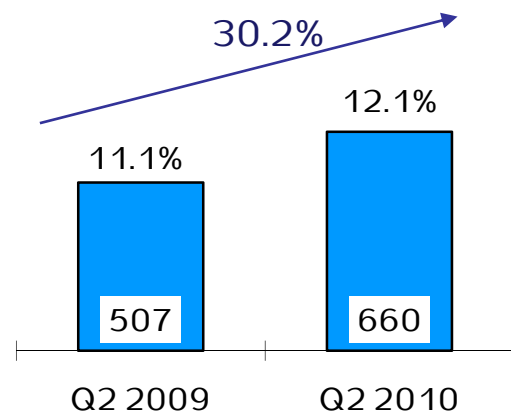
		2009	2010*	2011**
Annual Rates of Change, Real Terms	GDP	0.8%	3.8%	3.0%
	Gross product of the business sector	0.1%	4.3%	3.3%
	Private consumption	1.7%	4.9%	3.3%
	Public consumption	2.5%	2.9%	2.6%
	Investment in fixed assets	-5.8%	7.1%	7.5%
	Exports of goods and services	-12.5%	14.8%	6.5%
	Imports of goods and services	-14.1%	18.3%	8.6%
Percentage of GDP	Current account surplus(+)/deficit (-)	3.7%	2.3%	1.6%
	Government budget surplus (+)/deficit (-)	-5.1%	-4.0%	-3.5%
	Government debt	80.0%	82.0%	83.0%
Annual Average	Unemployment rate	7.6%	6.6%	6.6%
Additional Data	Consumer price index, year-end change	3.9%	1.5%	1.9%
	Shekel / US\$ average exchange rate	3.93	3.78	3.81
	Bank of Israel average interest rate	0.8%	1.5%	2.3%

\*Leumi Estimate \*\*Leumi forecast

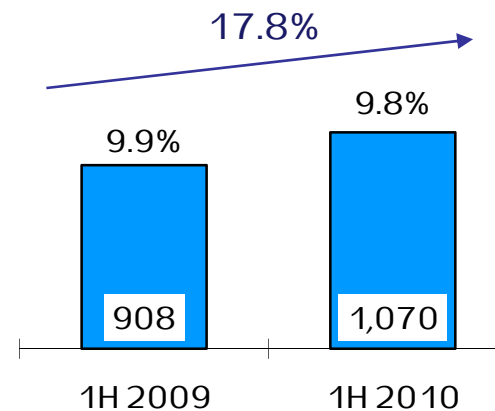
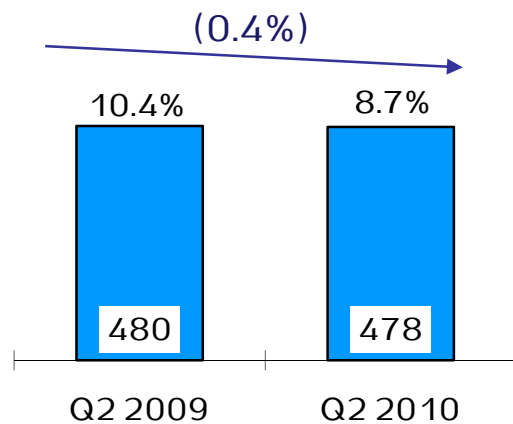
# Solid financials

NIS millions

## Net Profit



## Net Operating Profit



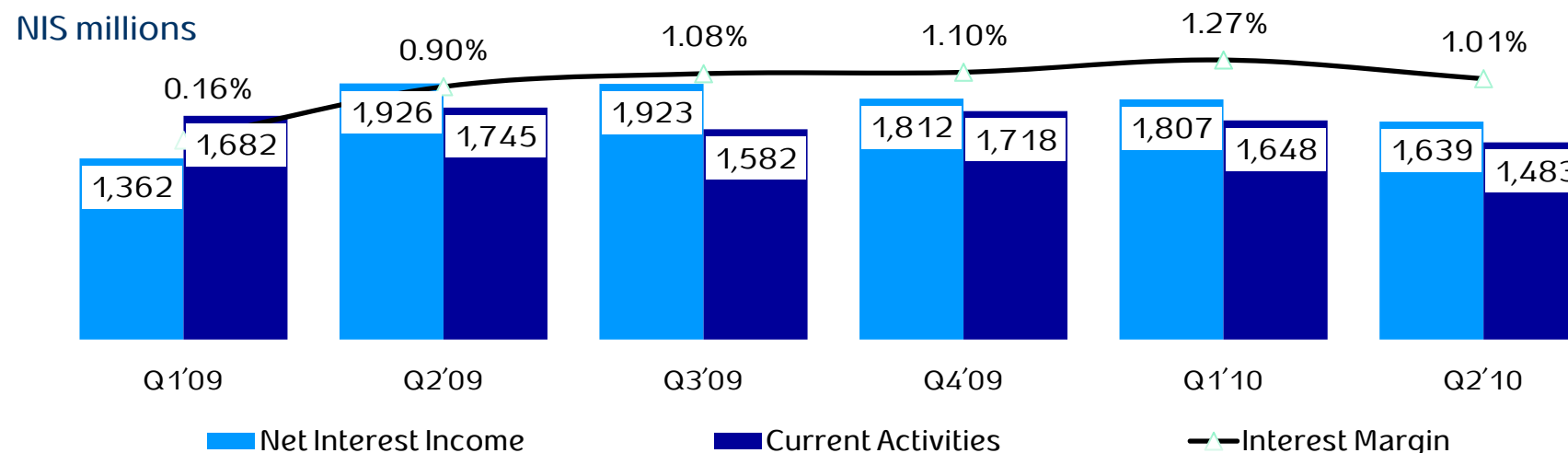
# Strong P&L performance...

NIS millions

## P&L Highlights

	1H 2010	1H 2009	Δ	Δ%
Net interest income before provision	3,446	3,288	158	4.8
Operating and other income	2,038	2,016	22	1.1
<b>Total Income</b>	<b>5,484</b>	<b>5,304</b>	<b>180</b>	<b>3.4</b>
Provision for doubtful debts	326	693	(367)	(53.0)
Operating and other expenses	3,817	3,204	613	19.1
Companies included on the equity basis	202	(30)	232	+
<b>Operating profit (loss)</b>	<b>1,070</b>	<b>908</b>	<b>162</b>	<b>17.8</b>
Net profit from extraordinary items	186	28	158	+
<b>Net profit</b>	<b>1,256</b>	<b>936</b>	<b>320</b>	<b>34.2</b>

# Net interest income remains impacted by low interest rate environment\*



Main reasons for 1H increase derive from negative factors in 2009:

Adjustments of derivatives to fair value

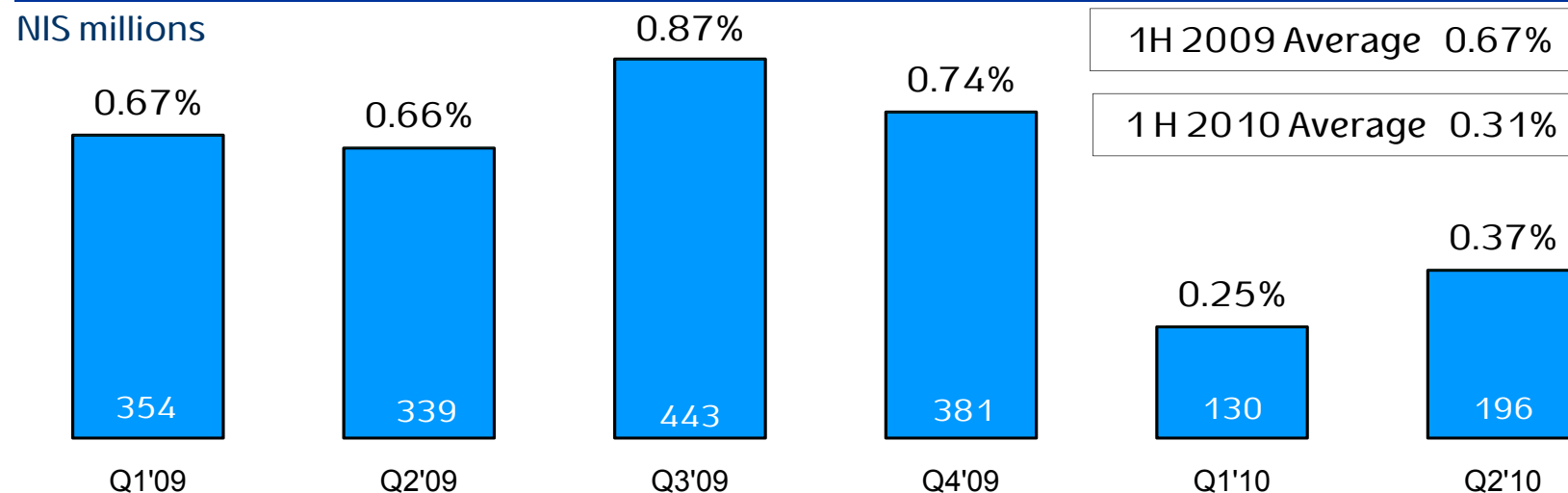
Financing costs in connection with hedging overseas investments

Exchange rate differentials in respect of financing shares recorded in operating income

Influence of profits in the capital market

\*Interest margin (cumulative) includes transactions in financial derivatives

# A sharp reduction in provisions for doubtful debts...

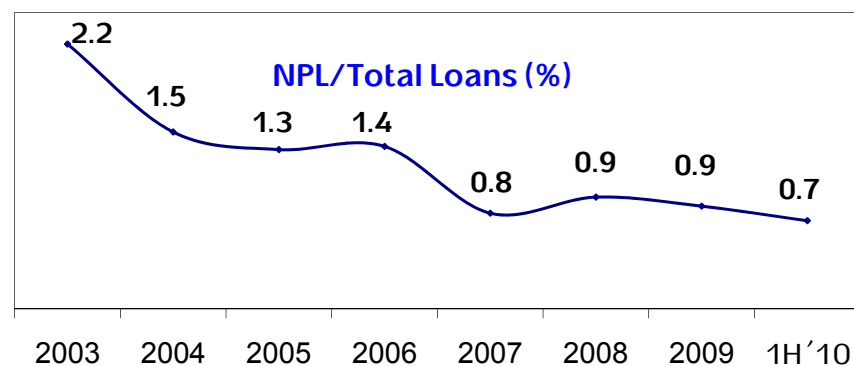
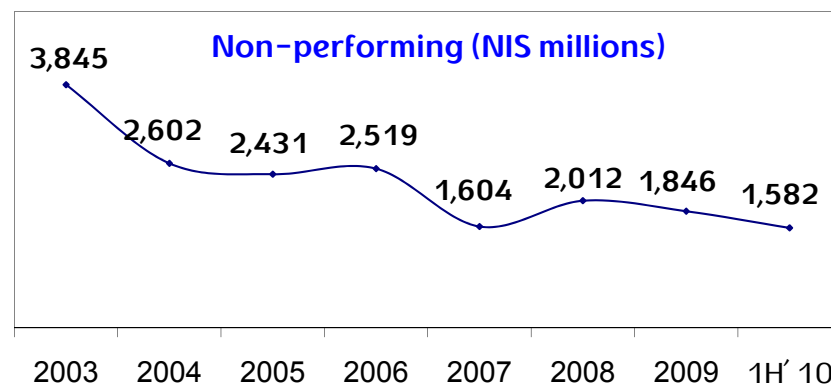


	1H'10	1H'09	Δ	Δ%
Specific provision during the period	951	1,166	(215)	(18.4)
Reduction of a specific provision	(536)	(440)	(96)	21.8
Collection of debts previously written off	(12)	(7)	(5)	71.4
Net addition recorded in the profit and loss statement	403	719	(316)	(44.0)
Net addition recorded in the profit and loss statement re additional and general provision	(77)	(26)	(51)	+
Total provision for doubtful debts	326	693	(367)	(53.0)

## Problematic debt continues to decline

### NPL ratio is the lowest in the Israeli banking system

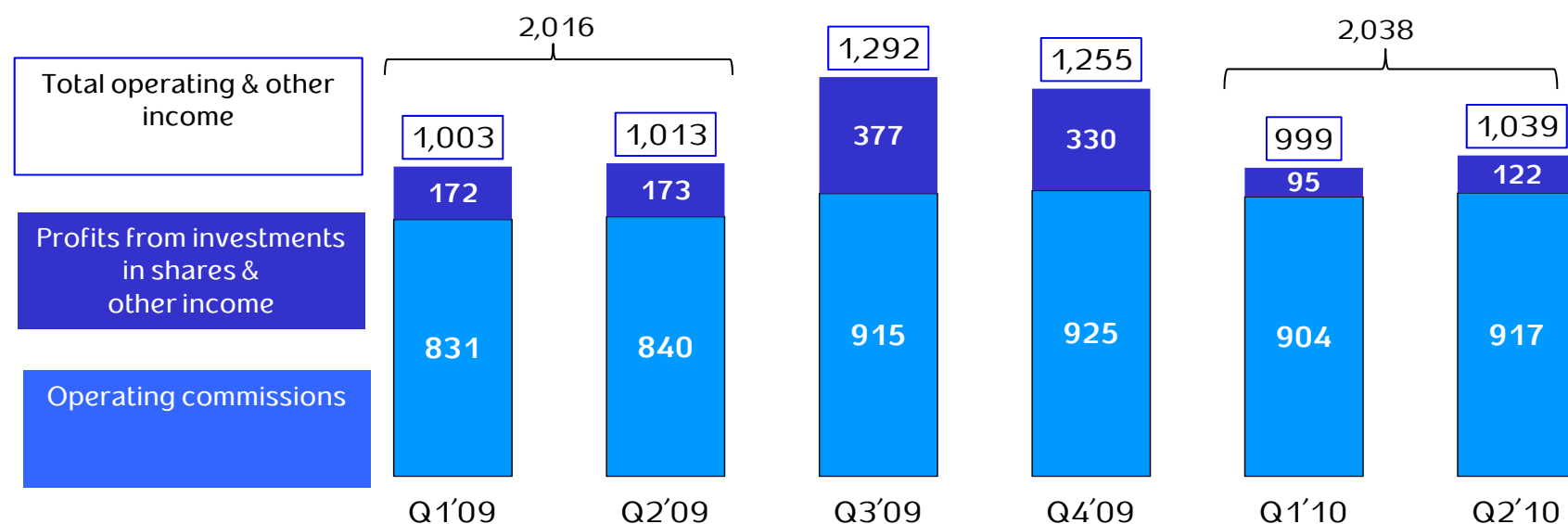
NIS millions	30.06.10	31.12.09	Δ%
Non-performing	1,582	1,846	(14.3)
Restructured and to be restructured	1,396	1,089	28.2
In temporary arrears	536	584	(8.2)
Under special supervision	11,423	12,349	(7.5)
Total balance sheet credit risk	14,937	15,868	(5.9)
Off balance sheet credit risk	3,066	3,065	---
Debentures of problem borrowers and the banks' overall credit risk	541	873	(38.0)
Other assets in respect of derivatives of problem borrowers	96	252	(61.9)
<b>Total overall credit risk</b>	<b>18,640</b>	<b>20,058</b>	<b>(7.1)</b>





# Total operating income remained almost unchanged YoY

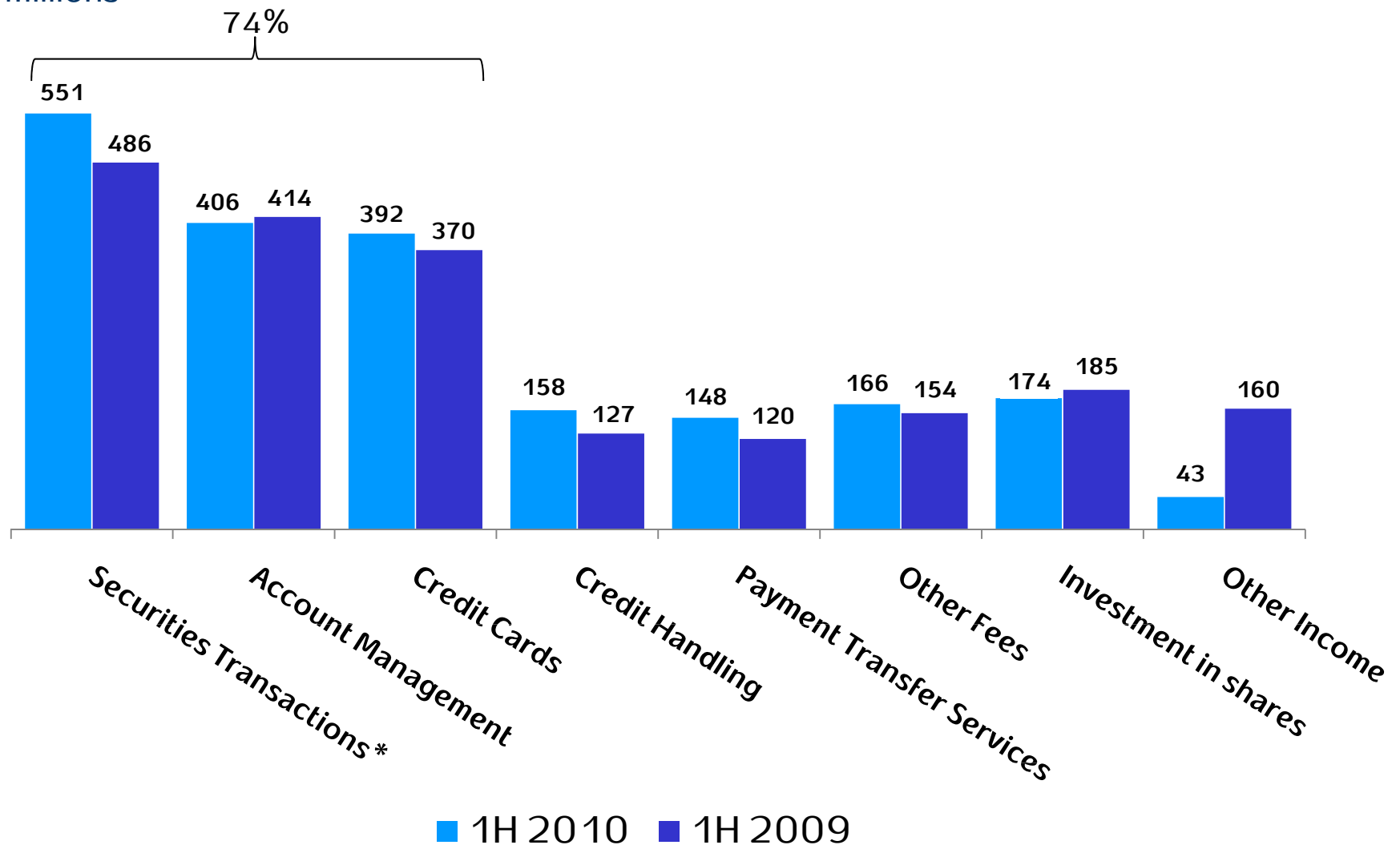
NIS millions



	1H 2010	1H 2009	Δ	Δ%
Operating Commissions	1,821	1,671	150	9.0
Profits (losses) from investments in shares	174	185	(11)	(5.9)
Other Income	43	160	(117)	(73.1)
Total	2,038	2,016	22	1.1

# Breakdown of operating income

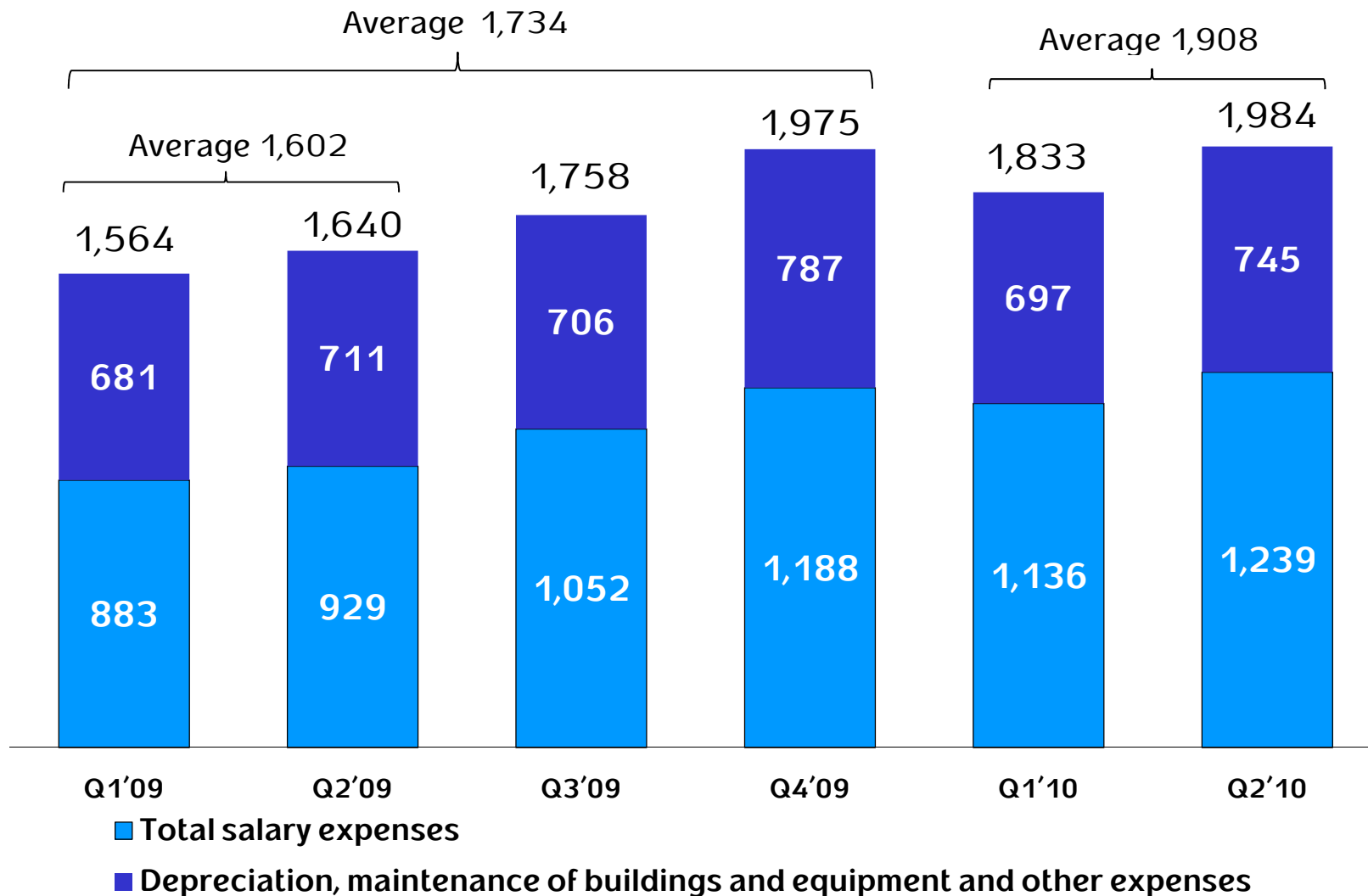
NIS millions



\*Includes distribution commissions of financial products

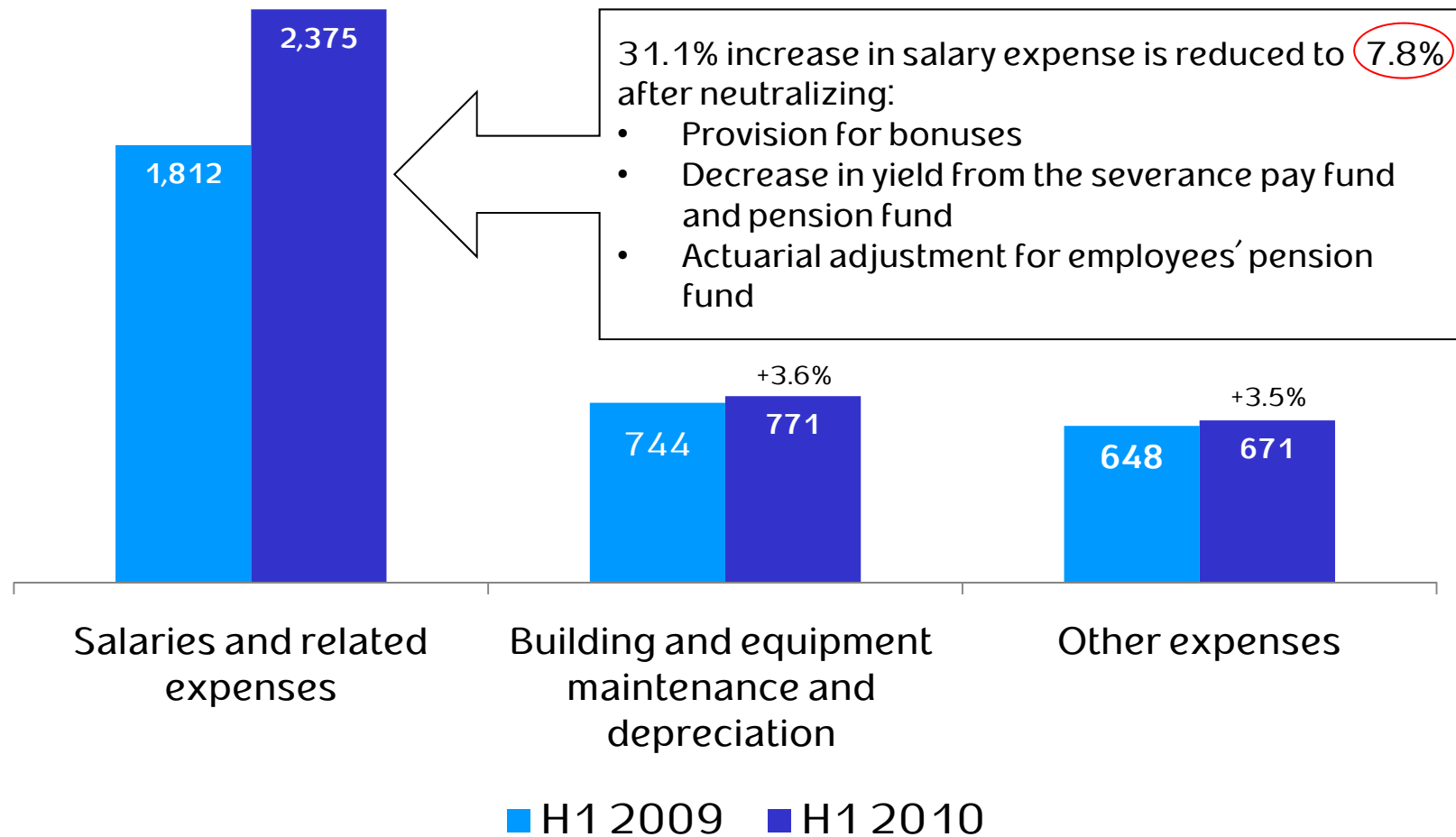
# Operating expenses increased 19.1% YoY mainly due to one time items...

NIS millions

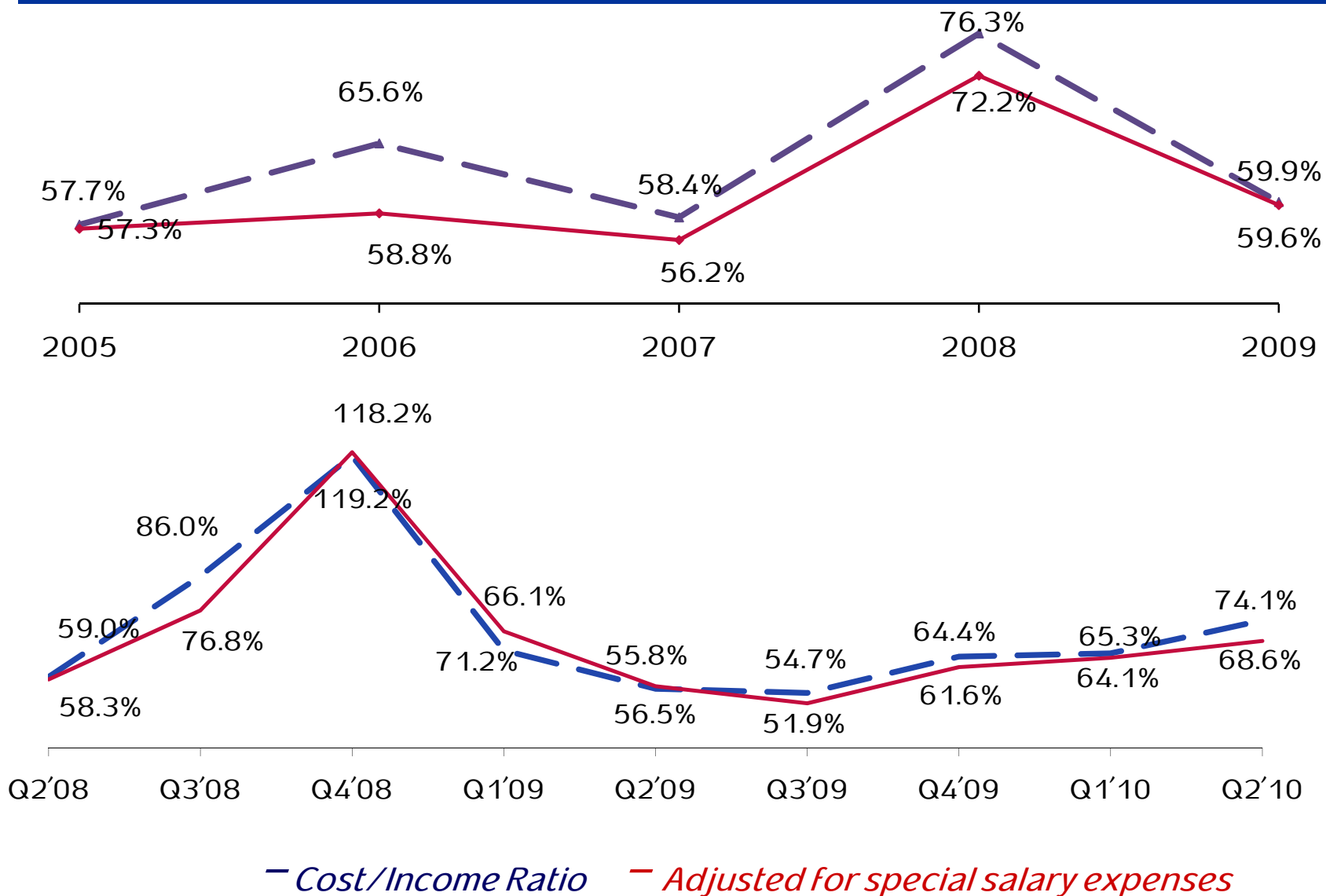


## ... in salary and related expenses

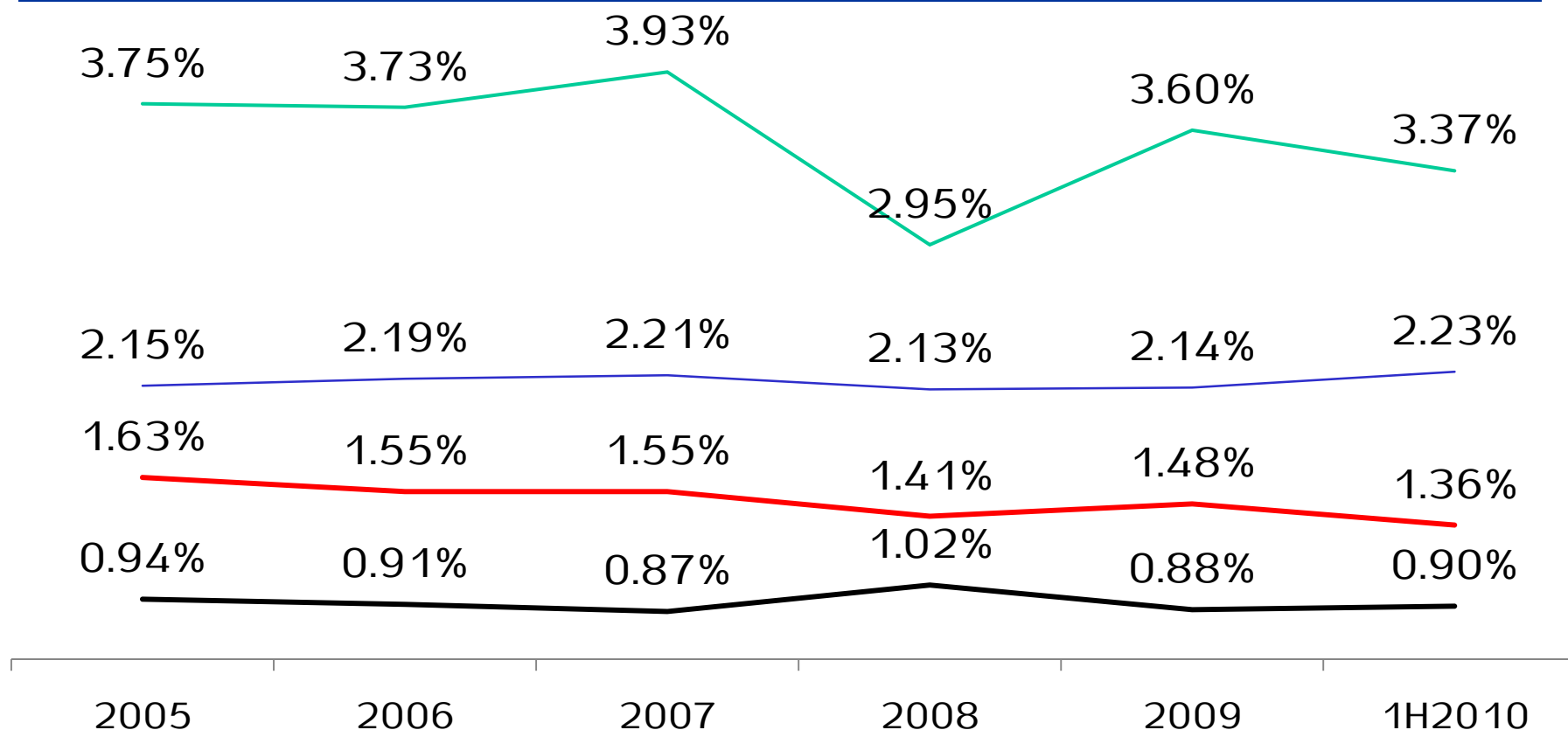
NIS millions



# Cost/Income ratio



# Income and expenses to total assets and to total assets under management



- Total income to total assets
- Total operating expenses to total assets (adjusted for special salary expenses)
- Total income to total assets under management
- Total operating expenses to total assets under management (adj. for spcl. salary expenses)

## ...building on diversification & core banking activities

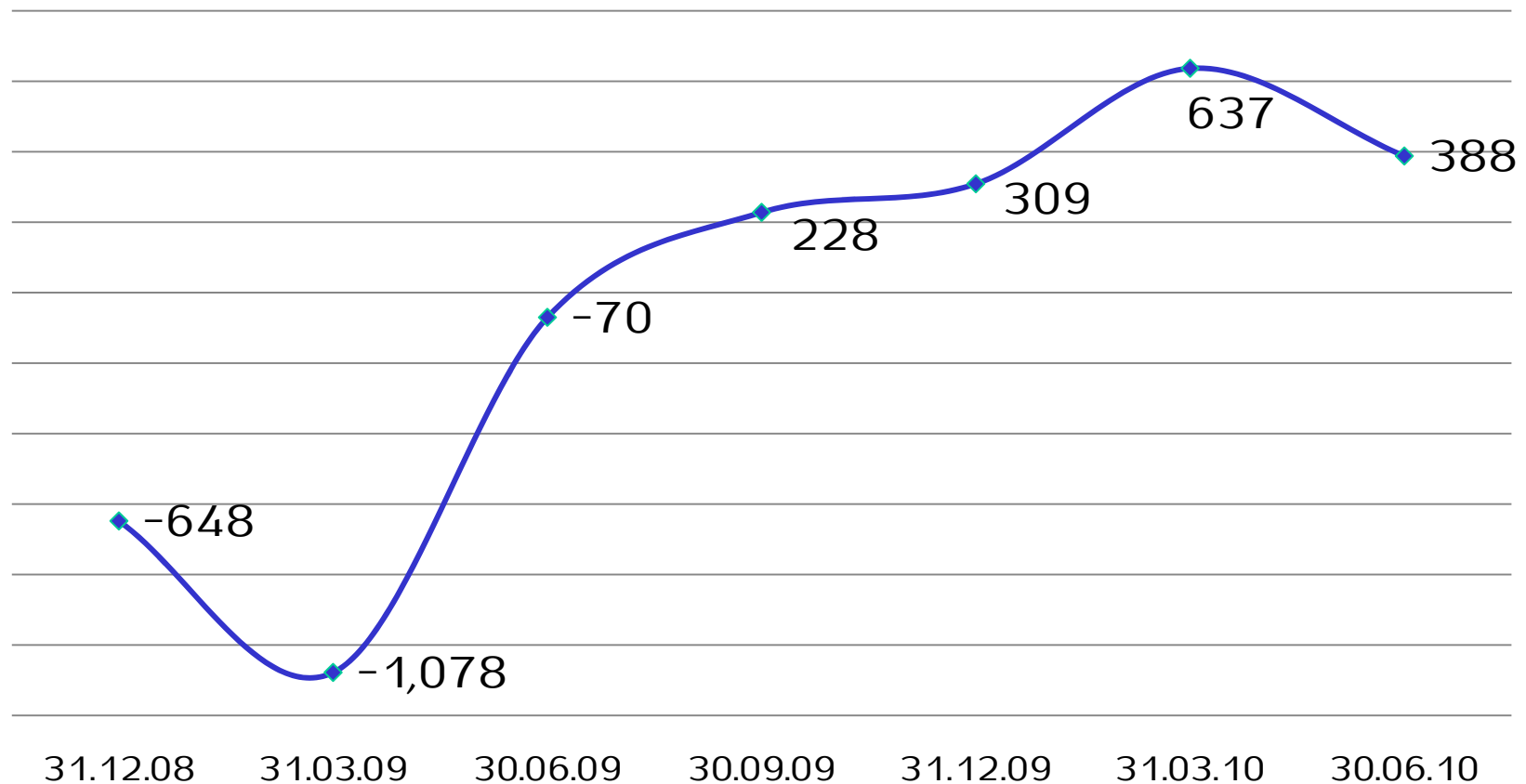
NIS millions

Net operating profit*	1H 2010	1H 2009	Δ%	Contribution to profit %
Households	90	108	(16.7)	7.6
Small businesses	130	118	10.2	10.9
Corporate banking	520	353	47.3	43.8
Commercial banking	208	204	2.0	17.5
Private banking	52	62	(16.1)	4.4
Financial management –capital markets and others	188	(25)	+	15.8
<b>Total</b>	<b>1,188</b>	<b>820</b>	<b>44.9</b>	<b>100</b>

*\*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)

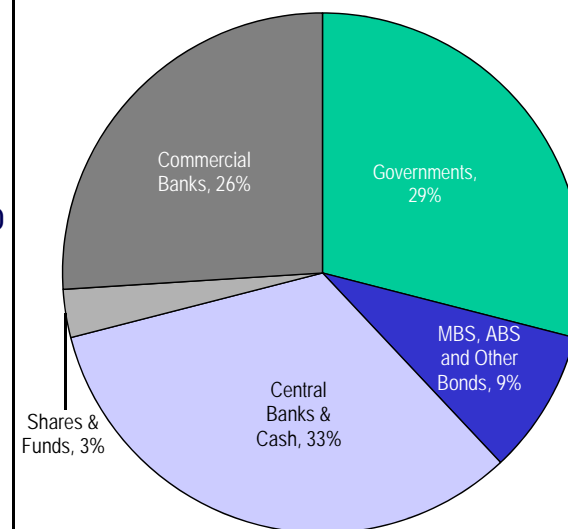


# Low risk: 62% of nostro investments are with governments and central banks

30 June 2010, NIS billions

Investments in securities by asset class			Deposits with Banks	
Israeli Government Bonds	27.1	52.9%	Central Banks	30.9
Bonds of Foreign Banks & FI & Companies	12.8	25.0%		
Foreign Governments	1.3	2.5%	BOI	27.7
			Abroad	3.2
MBS	5.1	10.0%	Cash	2.0
ABS	1.0	2.0%	Banks and Financial Institutions abroad	12.0
Corporate Bonds in Israel	1.2	2.3%		
<b>Total Bonds</b>	<b>48.5</b>	<b>94.7%</b>	Banks in Israel	2.3
Shares of Israeli companies*	2.0	4.0%		
Funds/Shares abroad	0.7	1.3%		
<b>Total</b>	<b>51.2</b>	<b>100%</b>	<b>Total</b>	<b>47.2</b>

Breakdown of nostro by counterparty



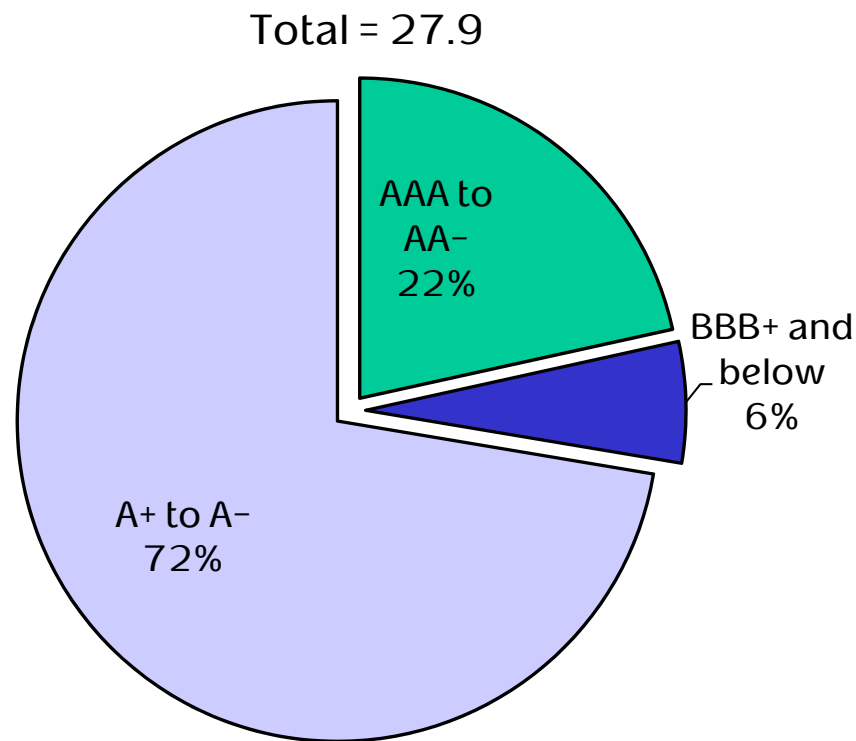
**Total NIS 98.4b**

\* Principally: Migdal, Super-Pharm, Partner

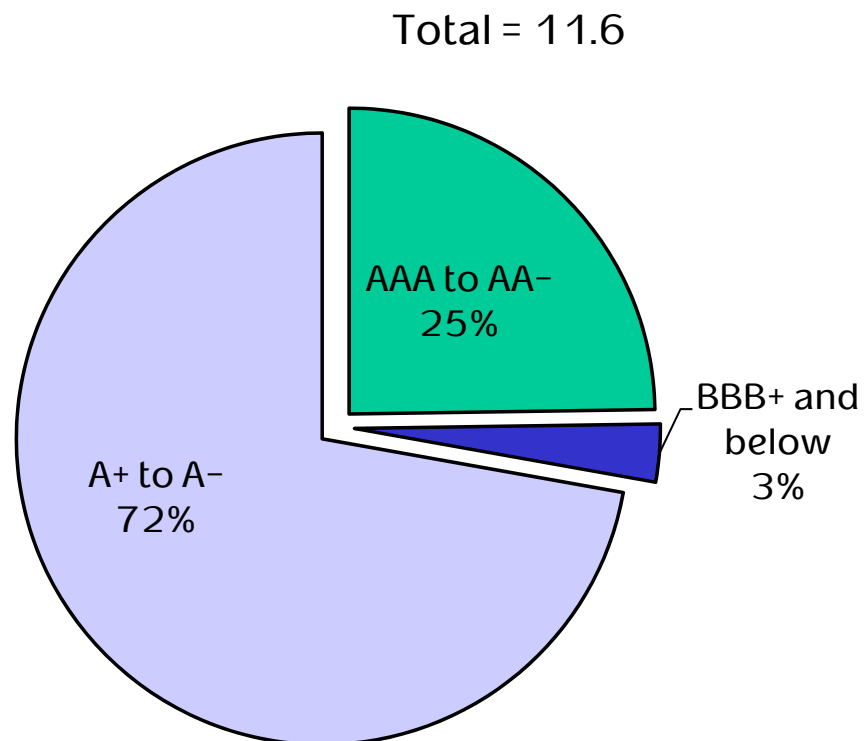
# Low risk: 94% of exposure is with institutions rated A- and above

30 June 2010, NIS billions, % of total

Total exposure to foreign financial institutions\*



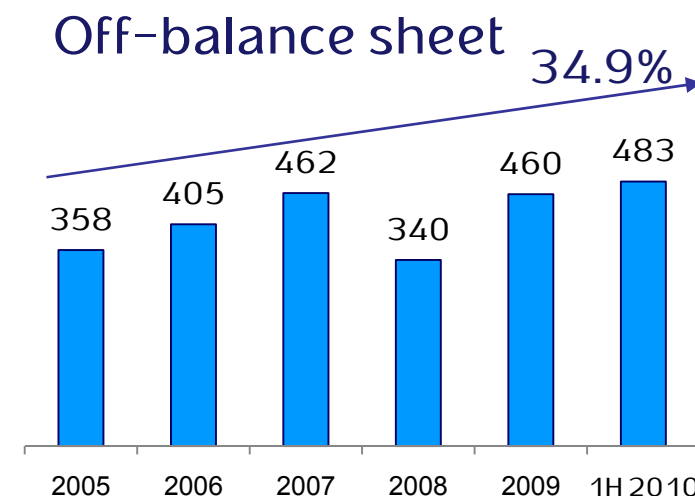
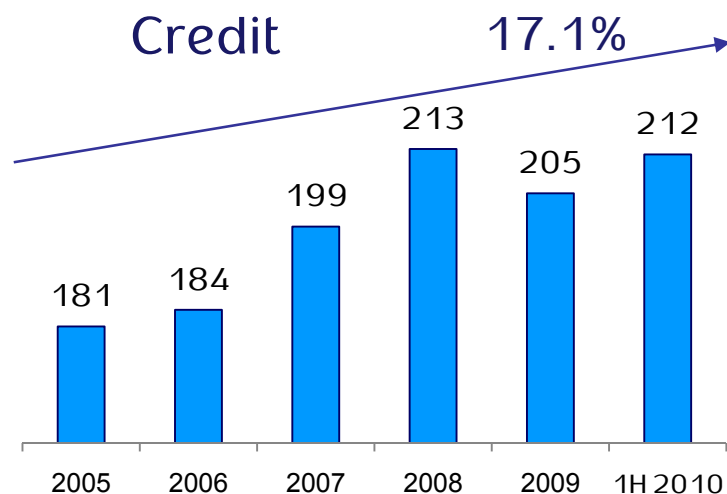
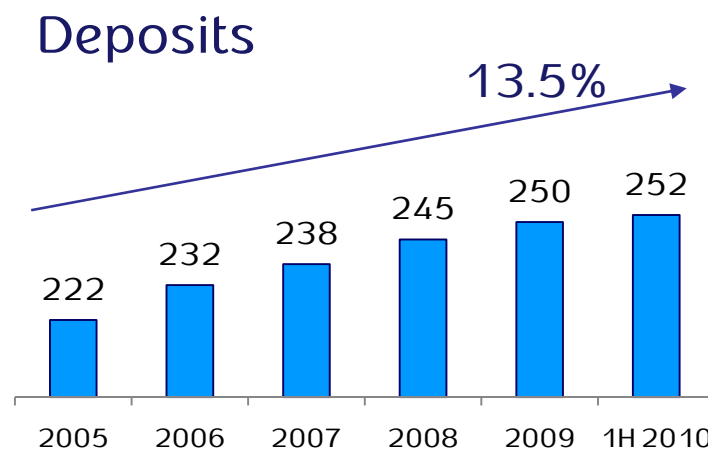
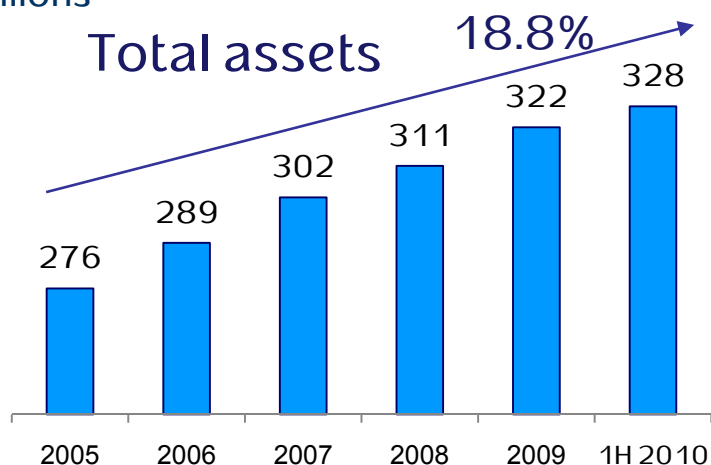
Exposure to securities of foreign financial institutions



\* Includes on and off -balance sheet risk

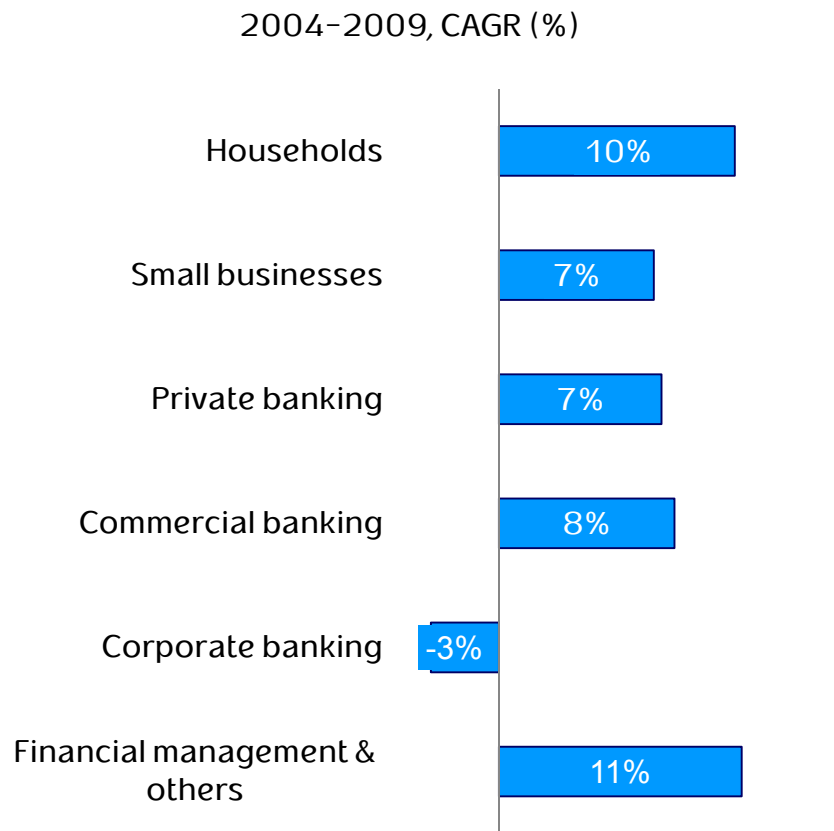
# Well-defined strategy and consistent focus support growth trends

NIS billions

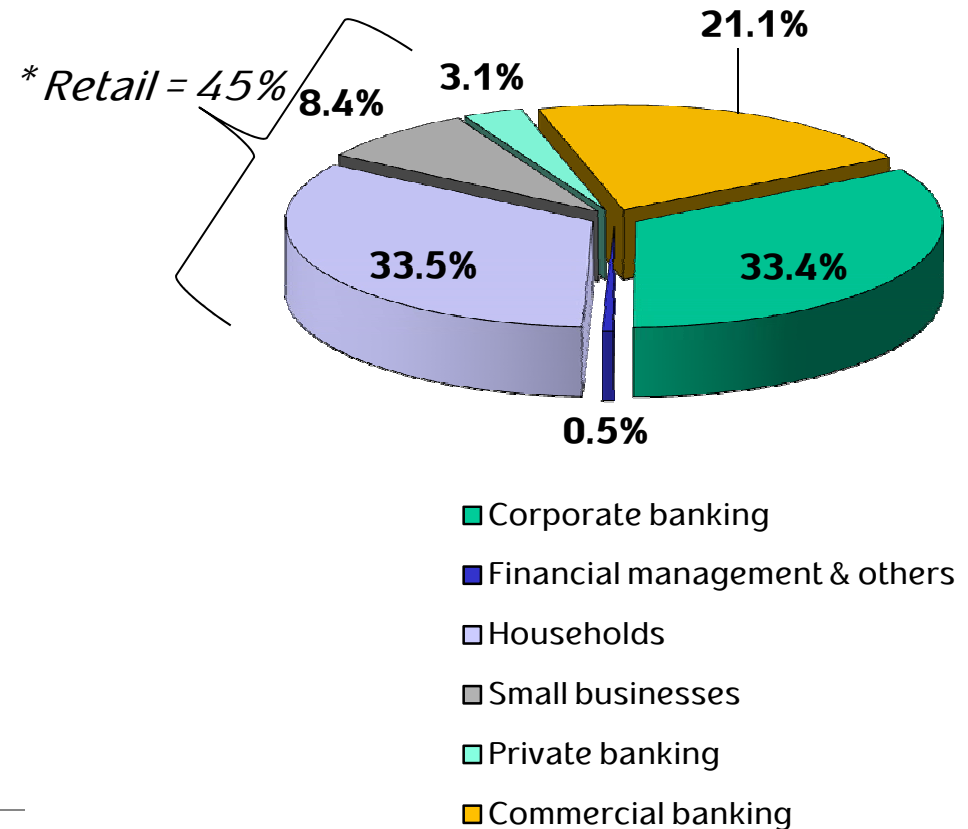


# Focus on higher RoE segments

YoY growth of loan portfolio by segment



Composition of loan portfolio by segment 1 H 2010, %



\* Retail includes households, small businesses, and private banking

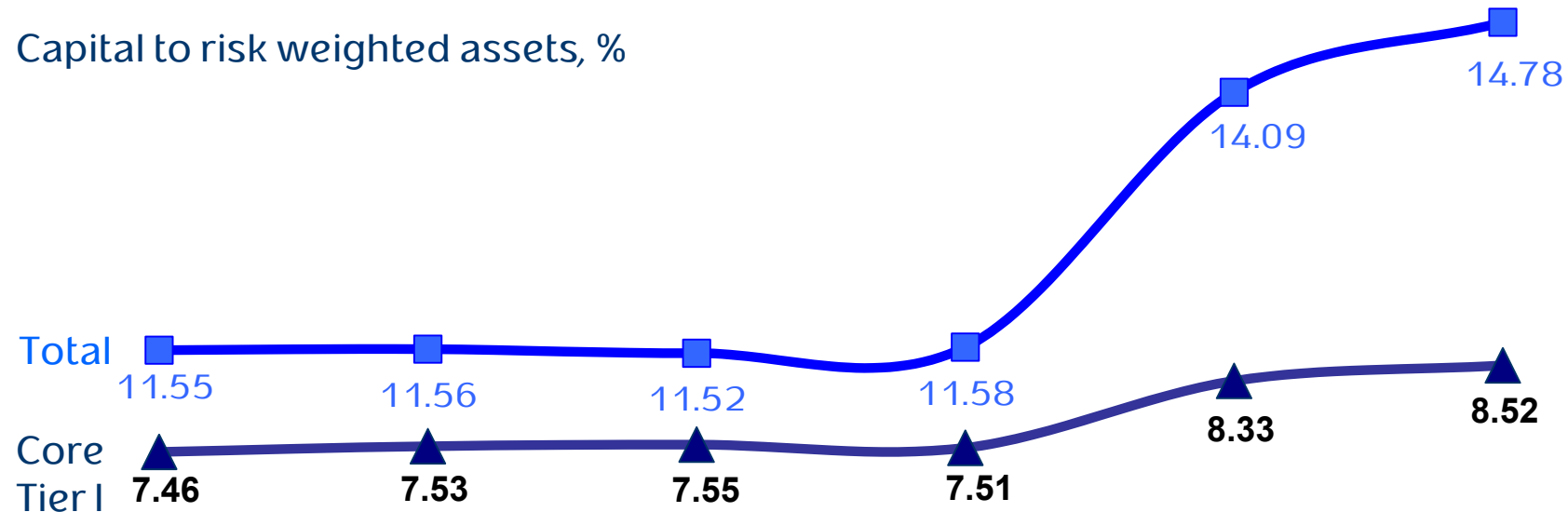
# Development of credit according to segments

NIS millions

Segment	30/06/2010	31/12/2009	Δ%
Households	23,354	22,461	4.0
Mortgages	47,802	44,428	7.6
Small businesses	17,882	17,653	1.3
Private banking	6,666	6,439	3.5
Total retail	95,704	90,981	5.2
Commercial banking	44,921	43,516	3.2
Corporate banking	70,845	69,089	2.5
Financial management, capital markets and others	983	1,083	(9.2)
Total corporate	116,749	113,688	2.7
Total	212,453	204,669	3.8

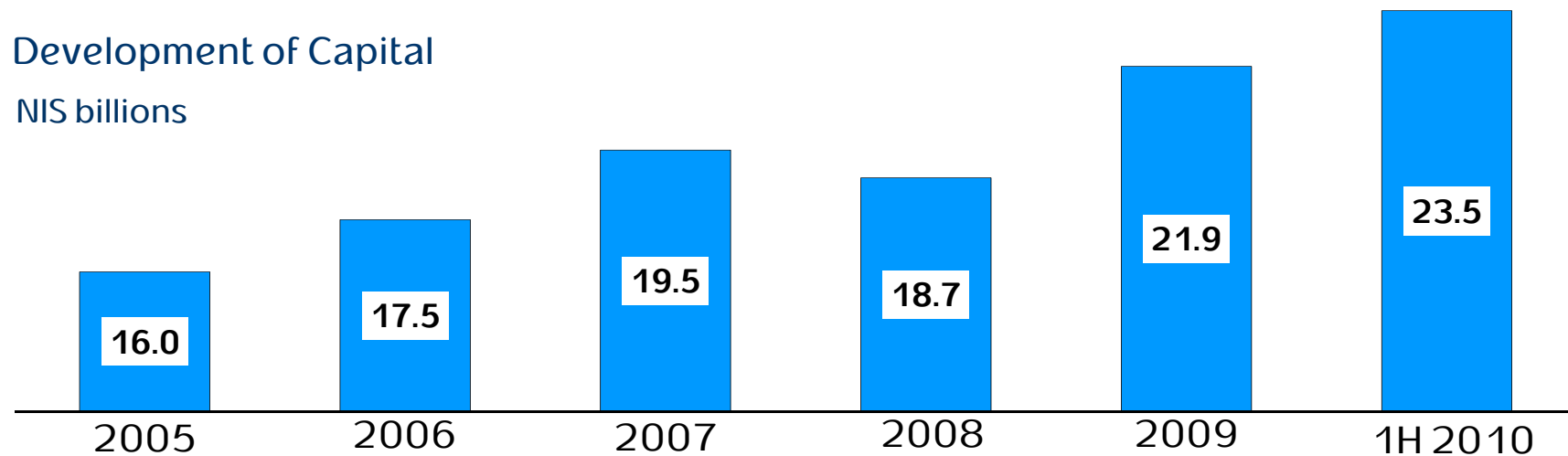
## Strong capital position: A core strength\*

Capital to risk weighted assets, %



Development of Capital

NIS billions



\*From 2009 as per Basel II

## Consistent and sustainable performance over the long-term

### Solid capital base

- CAR: 14.78%; Core Tier 1: 8.52%

### Liquid balance sheet

- Credit / Deposits : 84%
- Deposits / Credit: 118%

### 'Plain vanilla' balance sheet

- Credit / Total Assets: 65%
- Deposits / Total Assets: 77%
- Capital / Total Assets: 7.2%

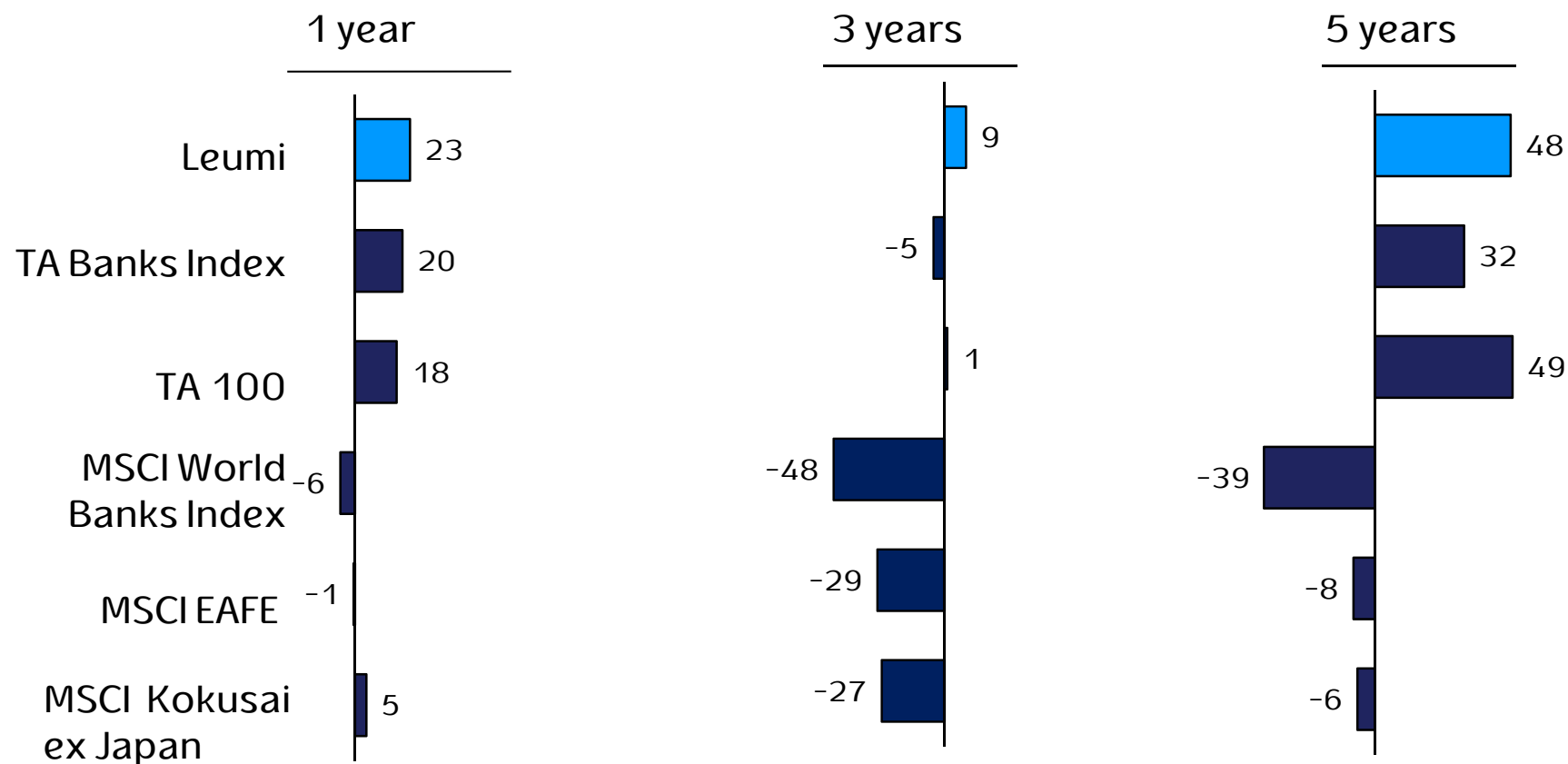
### Credit quality

- NPL / Total Credit: 0.7%

# Low risk, high return

as at 15/08/2010 ,%

## Shareholders' Returns\*




\* Stock appreciation & dividends



# The Leumi Group in perspective at June 30, 2010

in billions

1H 2010		Compared to Israeli peers *
Total Assets	NIS 328	1
Total Deposits	NIS 252	1
Total Credit	NIS 212	2
Net Profit	NIS 1.3	1
Return on Equity	11.5%	1
Total Capital Ratio	14.78%	1
Shareholders' Equity	\$6.1	1
Market Cap **	\$ 6.2	1

\* Bank Hapoalim, Israel Discount Bank, Mizrahi Tefahot, First International Bank of Israel.

\*\* As at 15/08/2010

Thank You

Wherever you wish to go, Leumi is with you

