


Leumi Group

Third Quarter 2007 Earnings Review





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Main macroeconomic variables

		2005	2006	Official Forecast 2007	Leumi Forecast 2008
<i>Annual rates of change in real terms</i>	GDP	5.3%	5.2%	5.2%	3.8%
	Gross product of the business sector	6.5%	6.5%	6.0%	5.5%
	Private consumption	4.0%	4.5%	6.0%	4.8%
	Public consumption	2.9%	2.3%	2.0%	0.8%
	Investment in fixed assets	2.3%	10.1%	10.4%	5.9%
	Export of goods and services	4.3%	5.9%	8.1%	5.4%
	Import of goods and services	3.5%	3.3%	9.4%	4.0%
<i>Percentage of GDP</i>	Current account surplus(+)/deficit(-)	3.3%	5.6%	4.3%	3.5%
	Government budget surplus(+)/deficit(-)	-2.0%	-0.8%	0.0%	-1.5%
	Government debt	95%	86%	82%	80%
<i>Annual average</i>	Unemployment rate	9.0%	8.4%	7.5%	7.7%

Main financial parameters

	<i>2005</i>	<i>2006</i>	<i>2007 forecast</i>	<i>2008 forecast</i>
Consumer price index (year end rate)	2.4%	-0.1%	2.1-2.6%	2.0-3.0%
ILS/USD exchange rate – annual average	4.49	4.46	4.07-4.15	3.95-4.05
Bank of Israel interest rate – annual average	3.7%	5.1%	3.8-4.0%	4.4-4.9%

The Leumi Group

<i>in NIS millions</i>	<i>Q3 2007</i>	<i>Q3 2006</i>	<i>9M 2007</i>	<i>9M 2006</i>	<i>9M % change</i>	<i>9M ROE*</i>
Net profit	1,010	970	2,840	2,460	15.4%	20.6%
Net profit adjusted**	1,043	1,109	2,934	2,982	(1.6%)	21.3%
Net operating profit	901	296	2,472	1,063	132.5%	17.9%
Net operating profit adjusted**	934	435	2,566	1,585	61.9%	18.5%

**Based on average capital*

***Adjusted for special salary expenses*

Impact of special salary expenses

<i>NIS millions</i>	<i>9M 2007</i>	<i>9M 2006</i>	<i>YE 2006</i>
Net operating profit	2,472	1063	1,454
Special Salary Expenses:			
Gov't sale of shares to employees	(3)	212	217
Options to employees	196	163	235
Mortality tables	-	136	237
Voluntary early retirement	-	164	175
Alumni holiday gifts	-	91	91
Provision for severance payments	-	24	0
Reduction of VAT	-	(38)	(38)
Total before taxes	193	752	917
Total after taxes	94	522	622
Net operating profit after adjustments	2,566	1,585	2,076
Return on net operating profit after adjustments	18.5%	12.6%	11.8%
Return on net profit after adjustments	21.3%	23.9%	23.7%

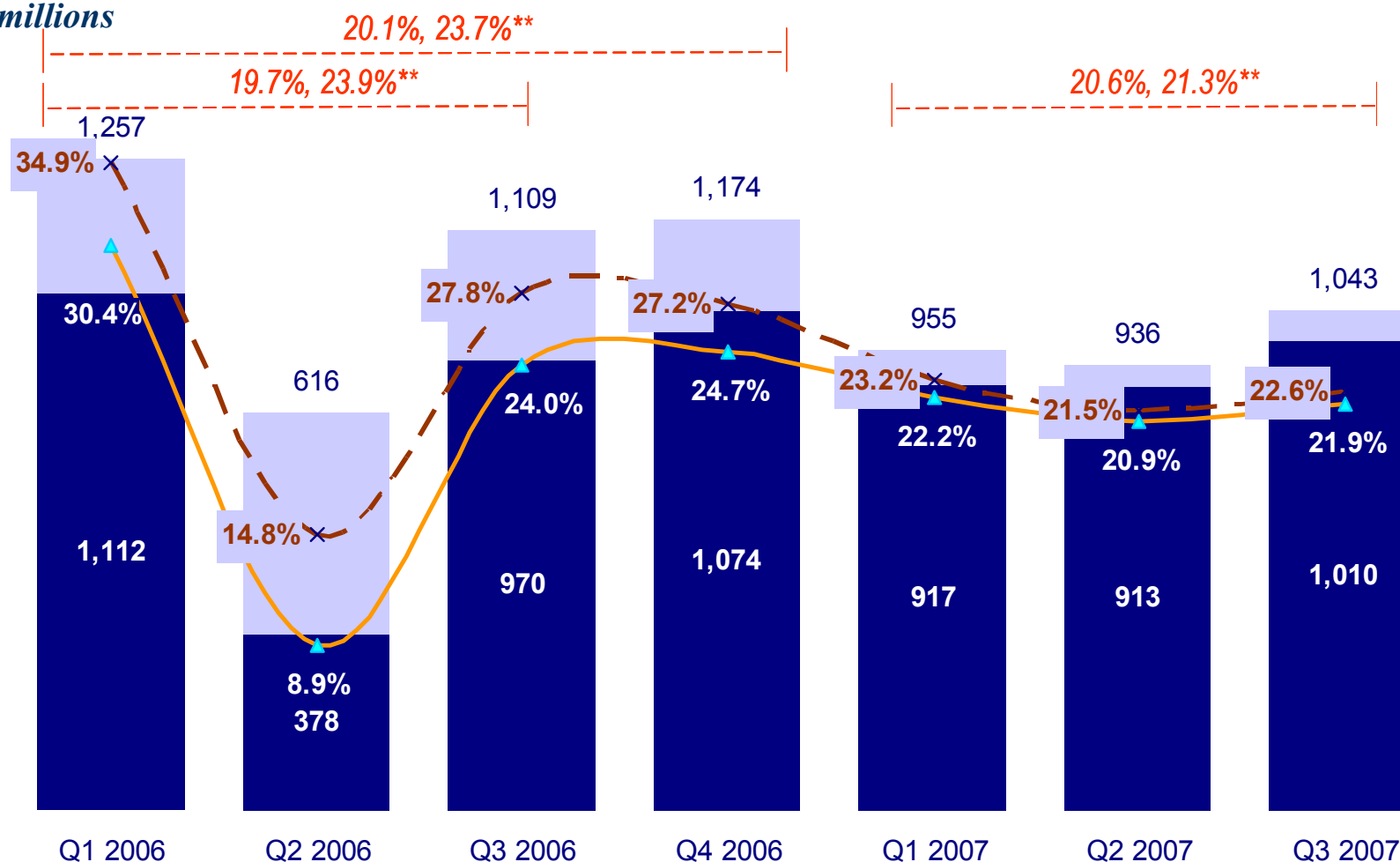
Main financial data

<i>NIS millions</i>	<i>9 months ended 9/2007</i>	<i>9 months ended 9/2006</i>	<i>% change</i>	<i>Q3oQ3 % change</i>
Net interest income before provision	5,867	5,159	13.7%	31.8%
Provision for doubtful debts	128	668	(80.8%)	(72.0%)
Total operating and other income	3,030	2,898	4.6%	(3.1%)
Total operating and other expenses	5,073	5,491	(7.6%)	(0%)
- after adjustments	4,880	4,739	3.0%	9.9%
Companies included on the equity basis	146	143	2.1%	37.8%
Net operating profit for the period	2,472	1,063	132.5%	204.4%
Net operating profit after adjustments	2,566	1,585	61.9%	114.7%

Net profit and RoE*

(in annual terms)

NIS millions



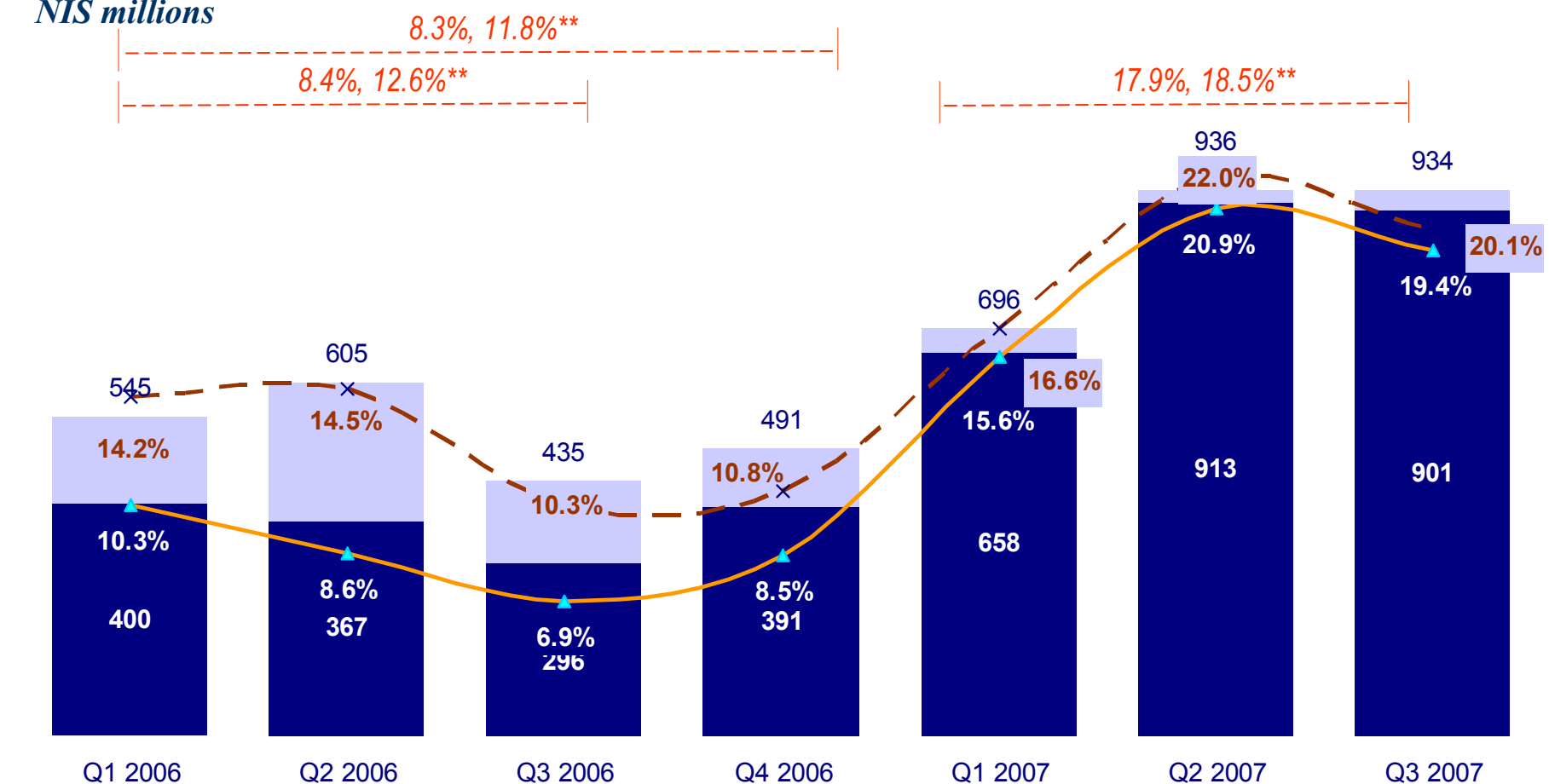
■ Net profit ■ Net Profit Adjusted —▲— Net profit RoE —x— Net profit RoE adjusted**

* Restated to reflect average capital ** Adjusted for special salary expenses

Net operating profit and RoE*

(in annual terms)

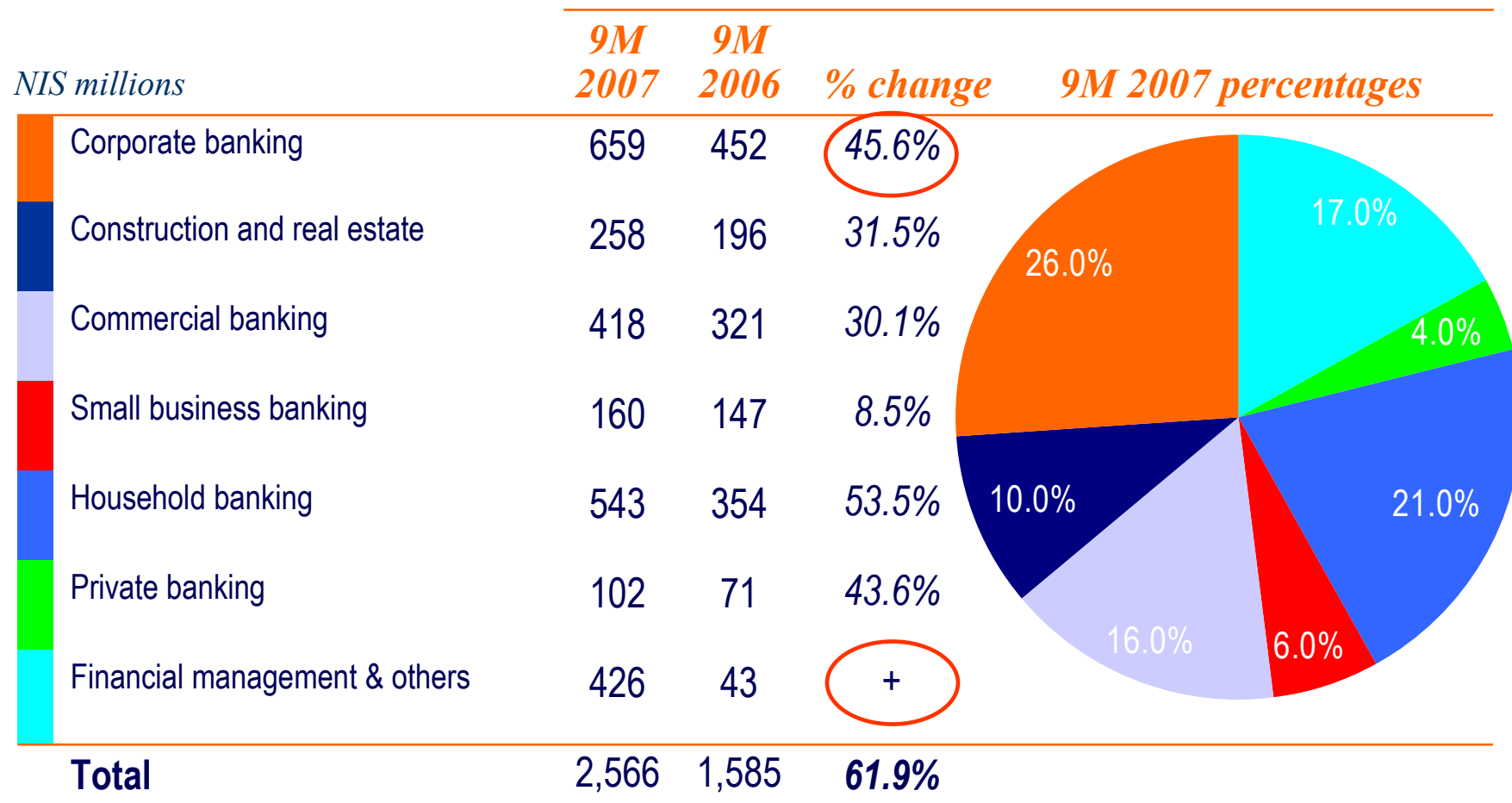
NIS millions



Net Operating Profit
 Net Operating Profit Adjusted
 Net Operating Profit RoE
 Net profit RoE adjusted**

* Restated to reflect average capital ** Adjusted for special salary expenses

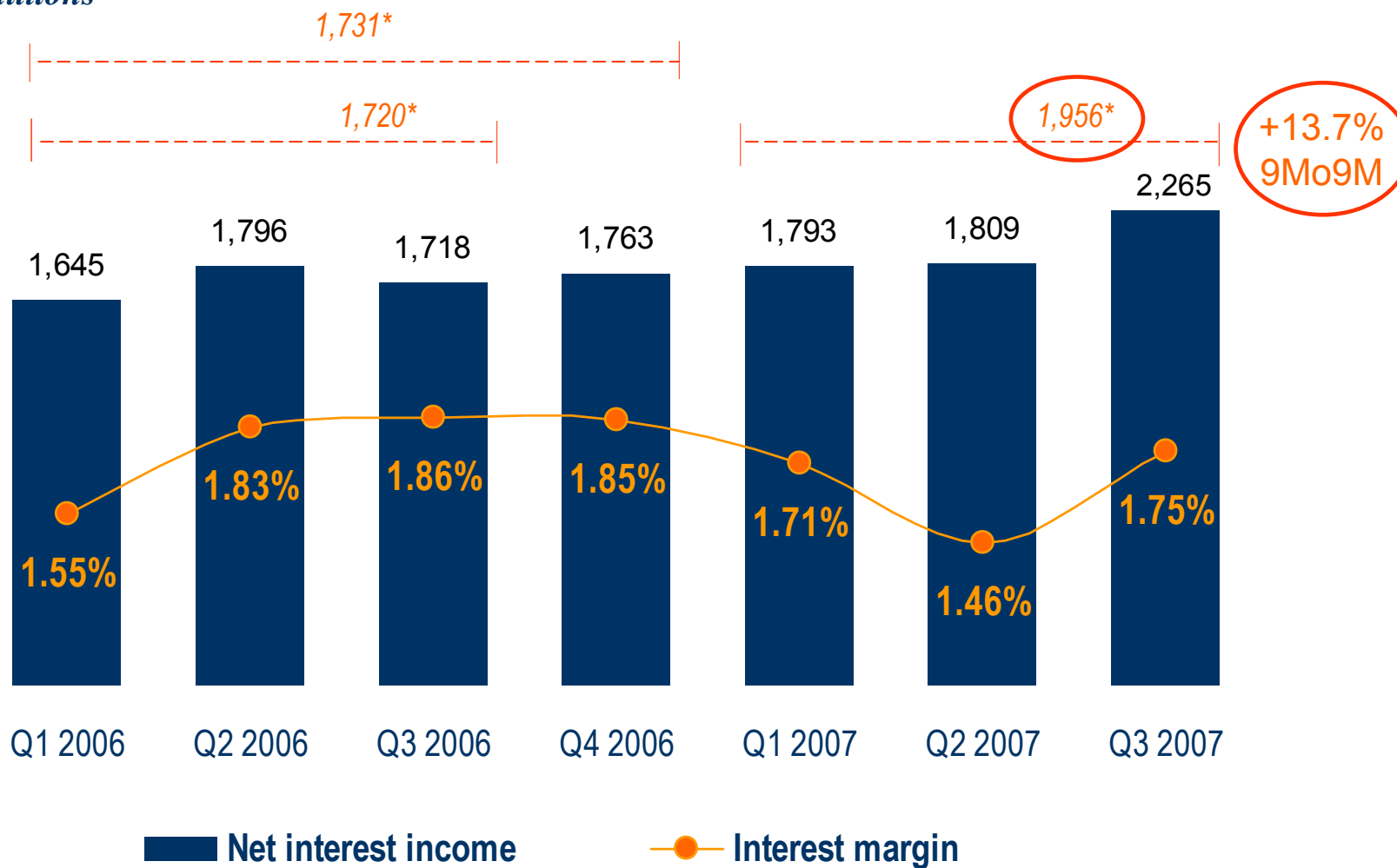
Net operating profit by operational segments*



* Adjusted for special salary expenses

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

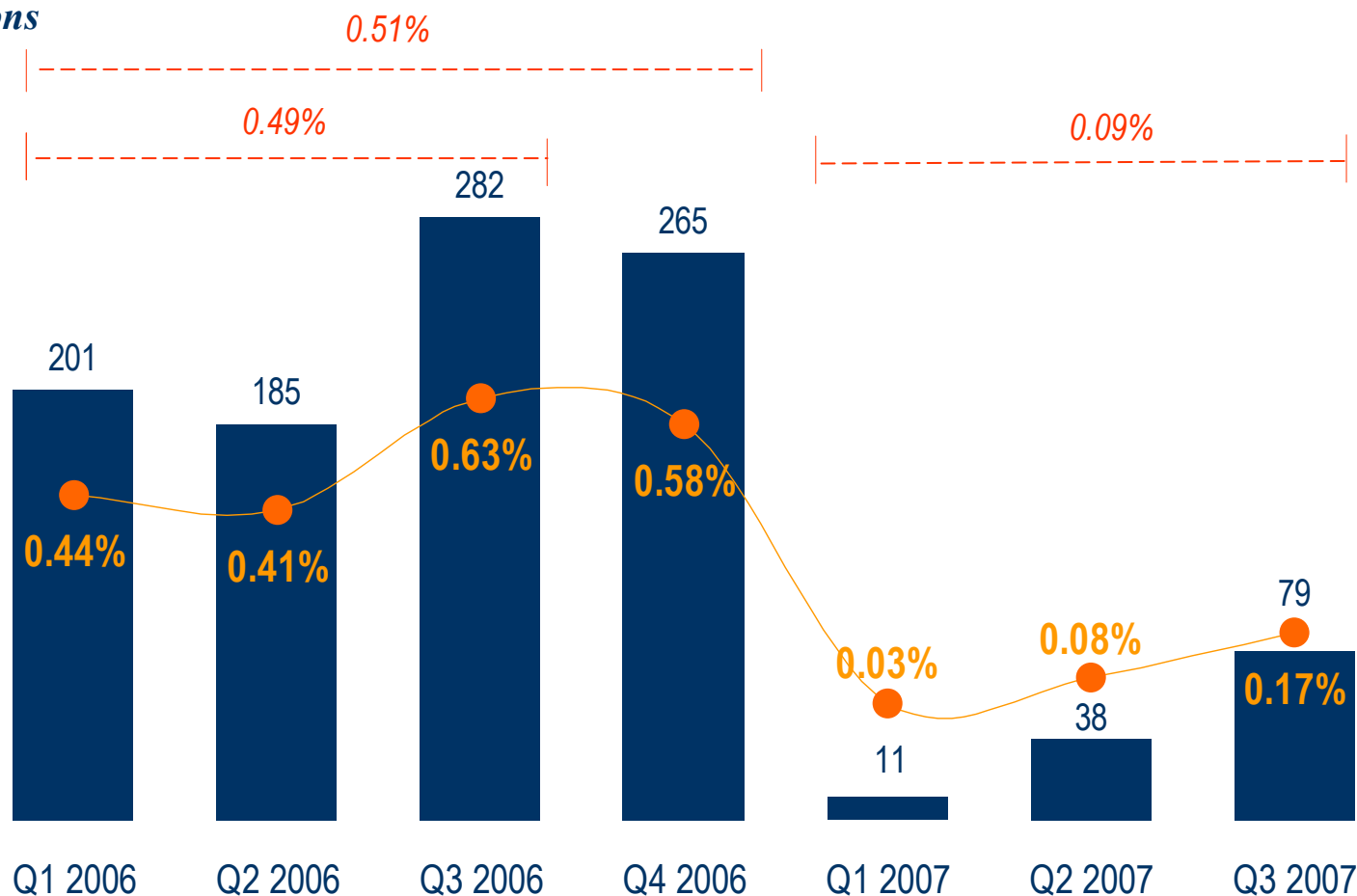
NIS millions



* average

Provision for doubtful debts

NIS millions



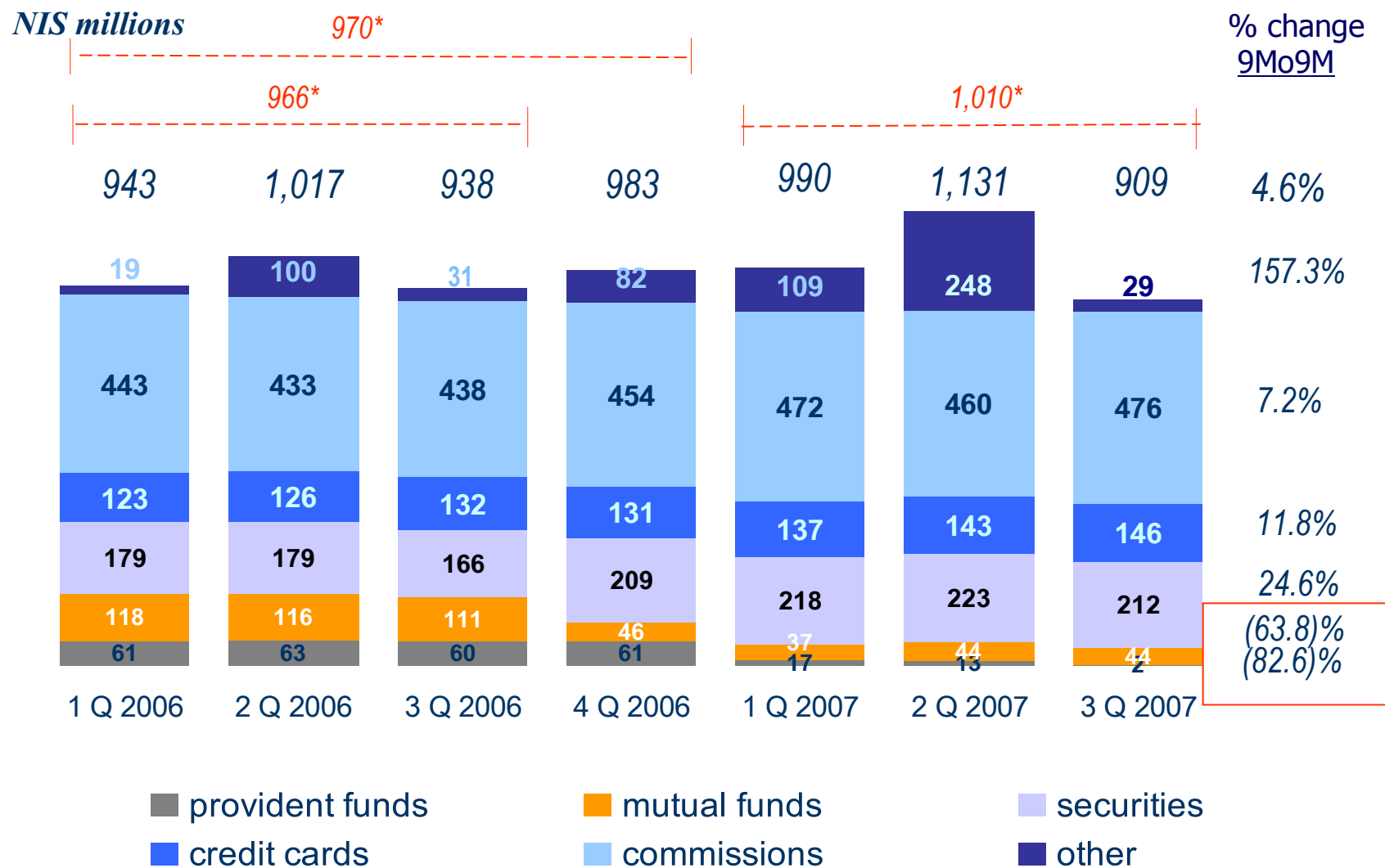
■ Provision for doubtful debts ● Rate of provision of all credit to the public in annual terms

Problematic debts

<i>NIS millions</i>	<i>30.09.07</i>	<i>31.12.06</i>	<i>% Change</i>
Non-accrual	2,192	2,519	(13.0%)
Restructured or to be restructured	1,191	1,313	(9.3%)
In temporary arrears	584	658	(11.2%)
Under special supervision*	12,455	13,548	(8.1%)
Total balance sheet credit risk	16,422	18,038	(9.0%)
Off balance sheet credit risk	2,932	2,425	20.9%
Other assets in respect of derivatives of problem borrowers	56	23	+
Total overall credit	19,410	20,486	(5.3%)

* Including classified debts according to Directive 325 in the amount of NIS 3,861 million (NIS 3,460 million in 2006)

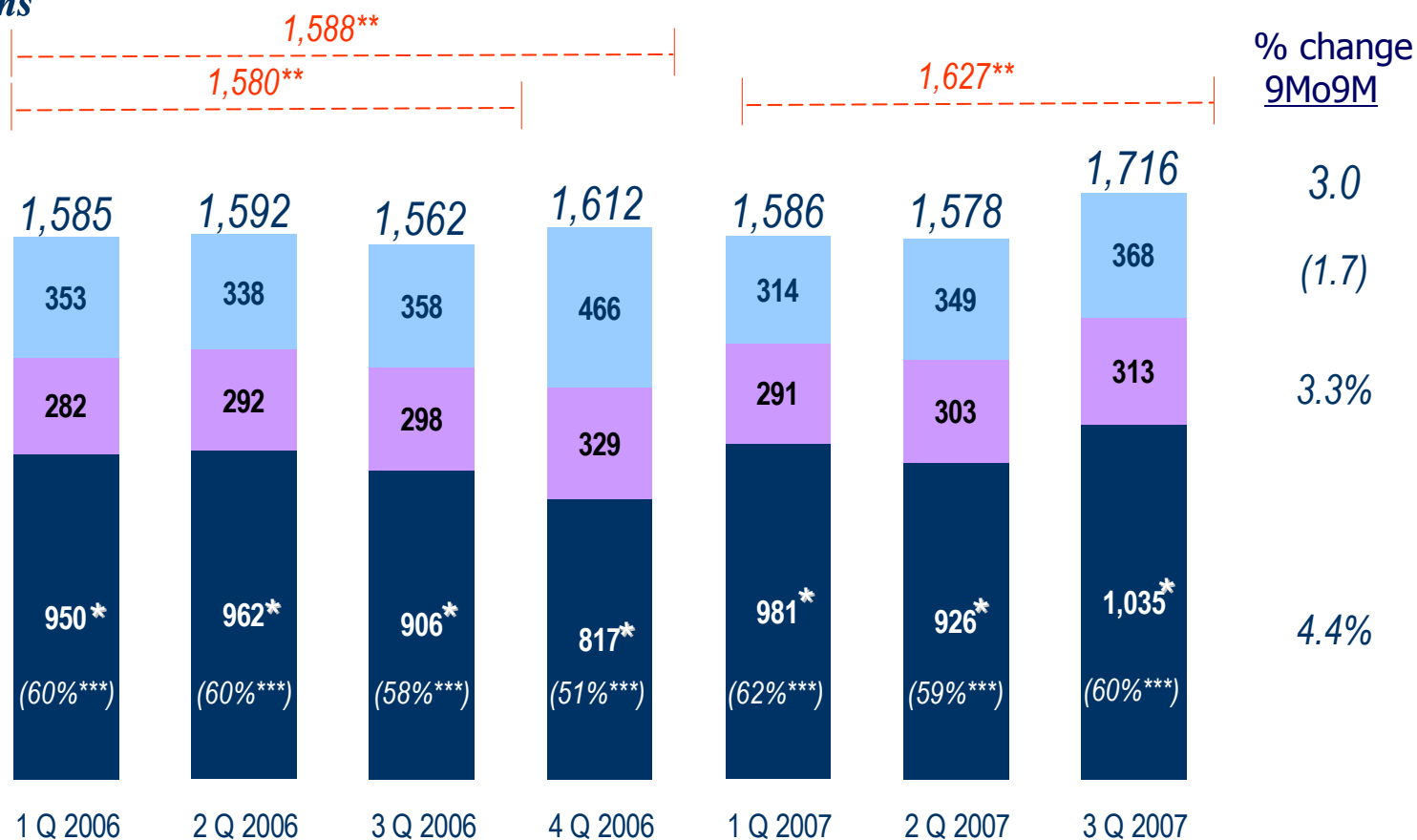
Operating income



* average

Operating expenses

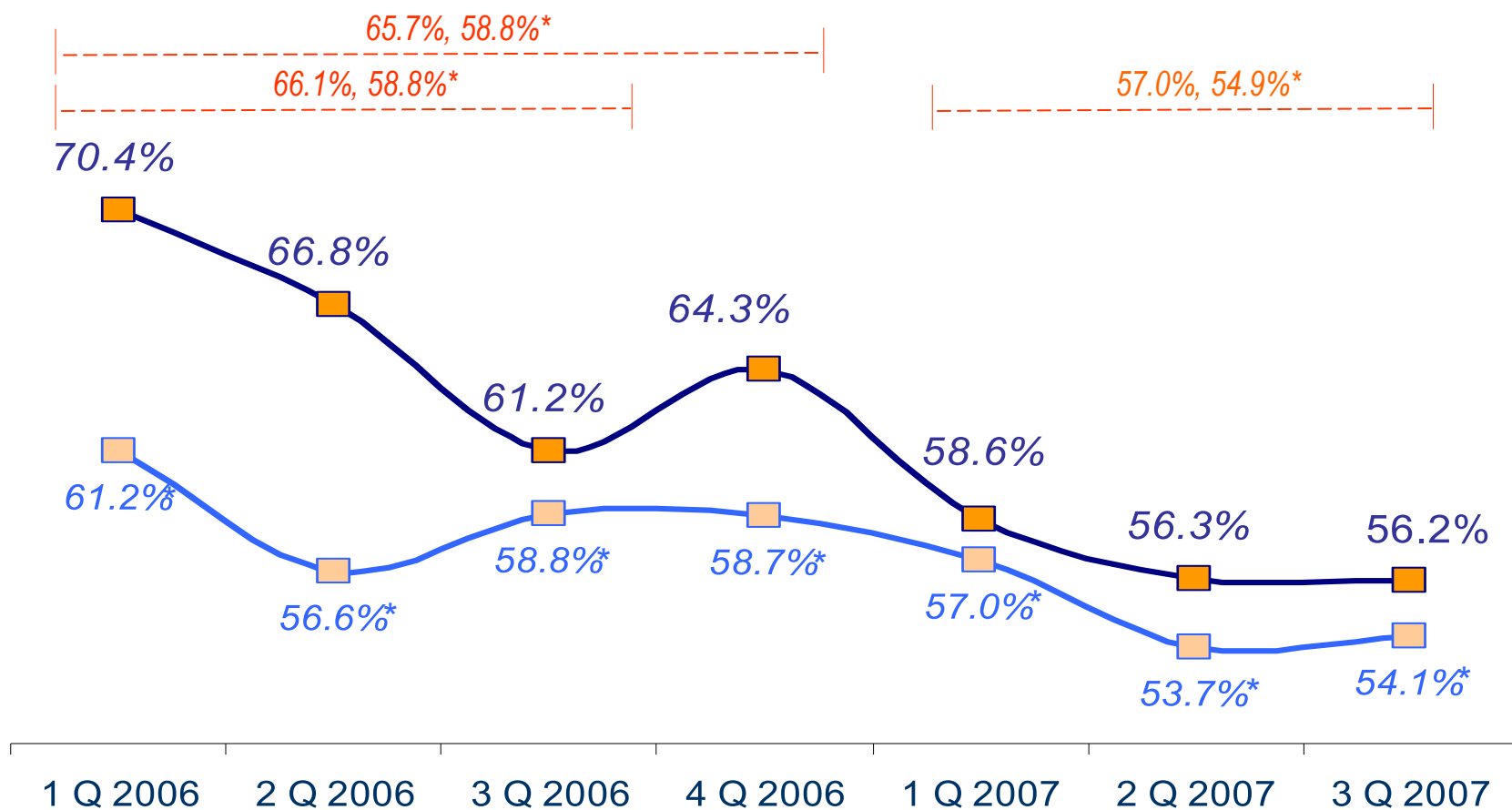
NIS millions



- Other expenses
- Building & equipment maintenance & depreciation
- Salaries and related expenses

* Adjusted for special salary expenses **average ***percentage of salaries to total operating expenses

Efficiency Ratio

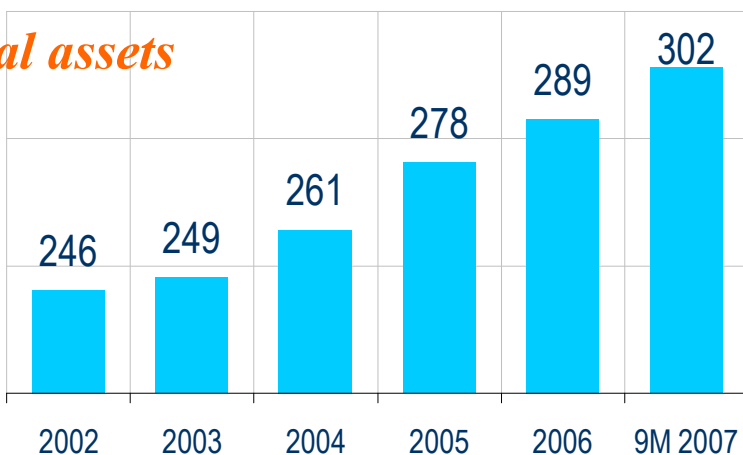


* Adjusted for special salary expenses

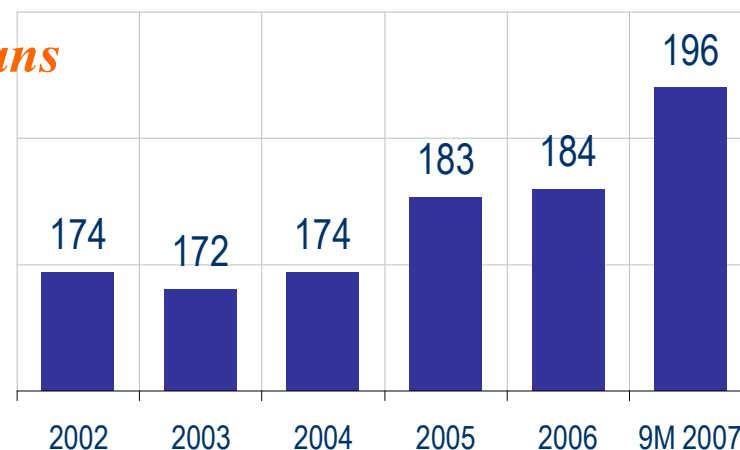
Balance and off-balance sheet assets

in NIS billions

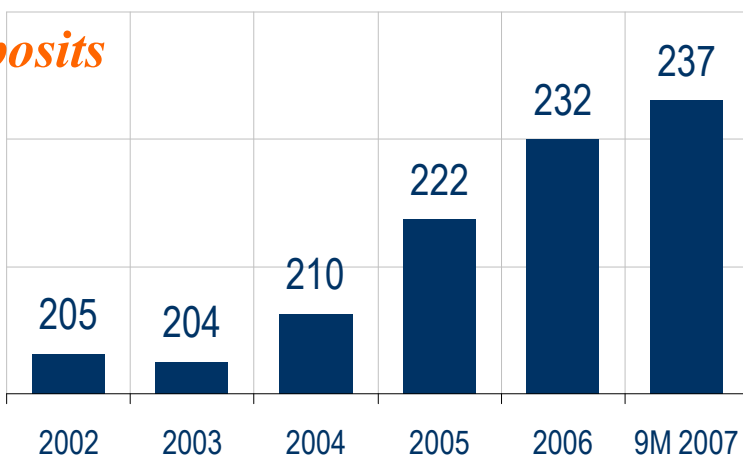
Total assets



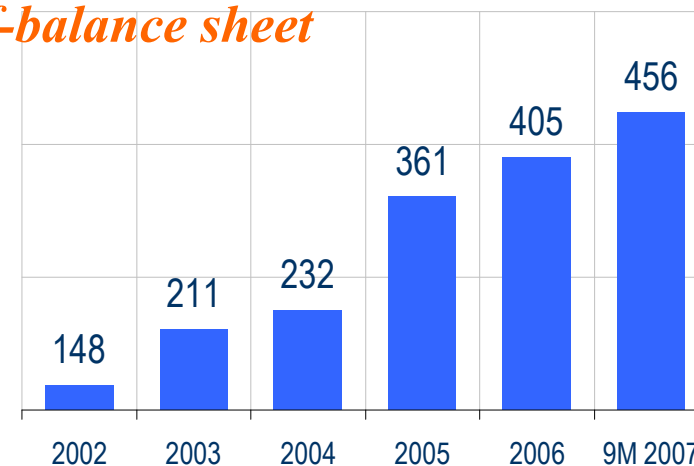
Loans



Deposits



Off-balance sheet

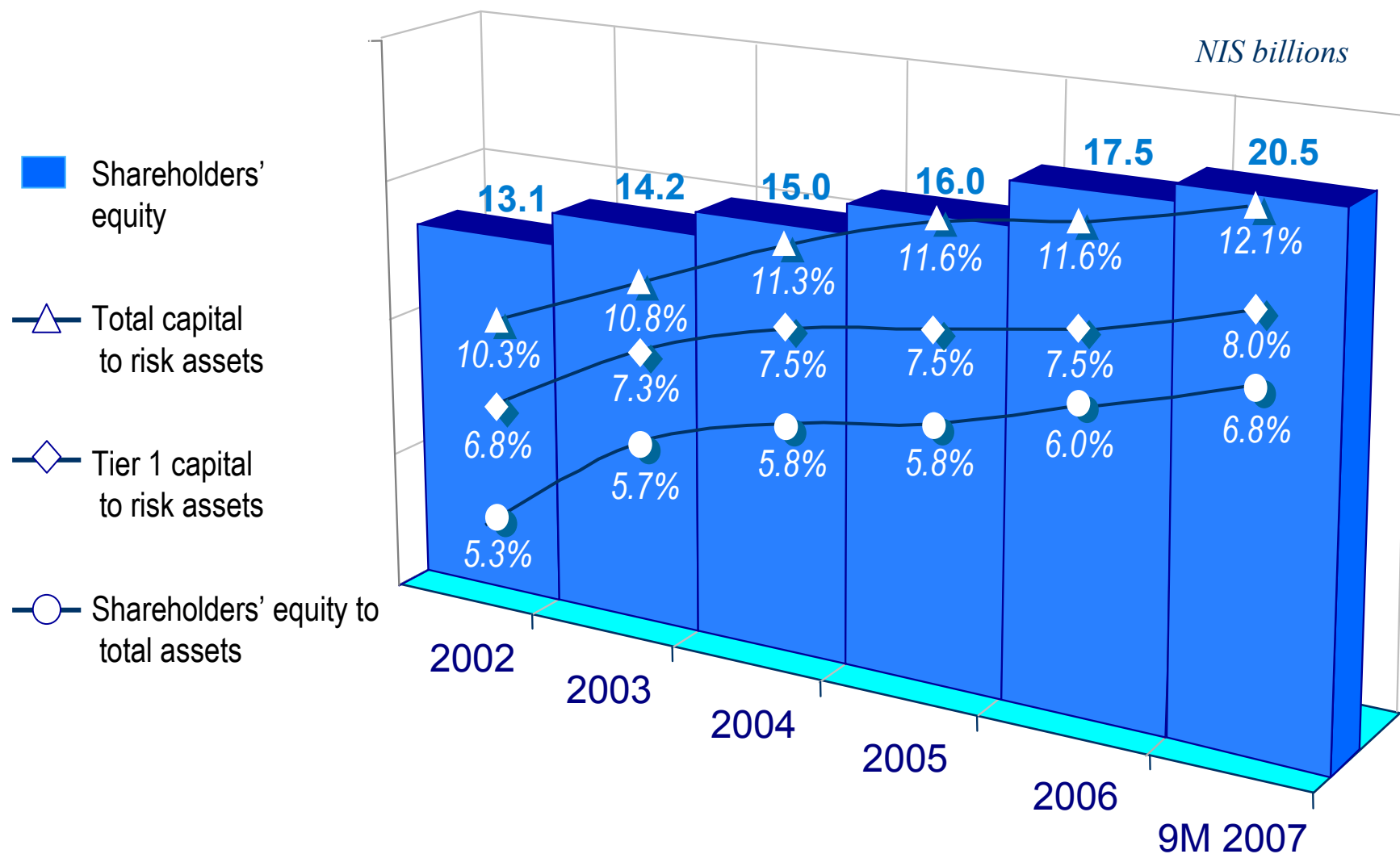


Changing sector emphasis in credit growth

NIS millions

	<i>9M 2007</i>	<i>31/12/06</i>	<i>% change</i>
Households	20,341	18,626	9.2%
Mortgages	35,736	33,373	7.1%
Small businesses	16,813	13,891	21.0%
Commercial banking	42,463	38,324	10.8%
Corporate banking	52,481	51,276	2.4%
Construction and real estate	22,528	22,501	0.1%
Private banking	4,740	4,417	7.3%

Indices of financial strength ...an upward trend



Asset-Backed Securities (MBS and ABS)

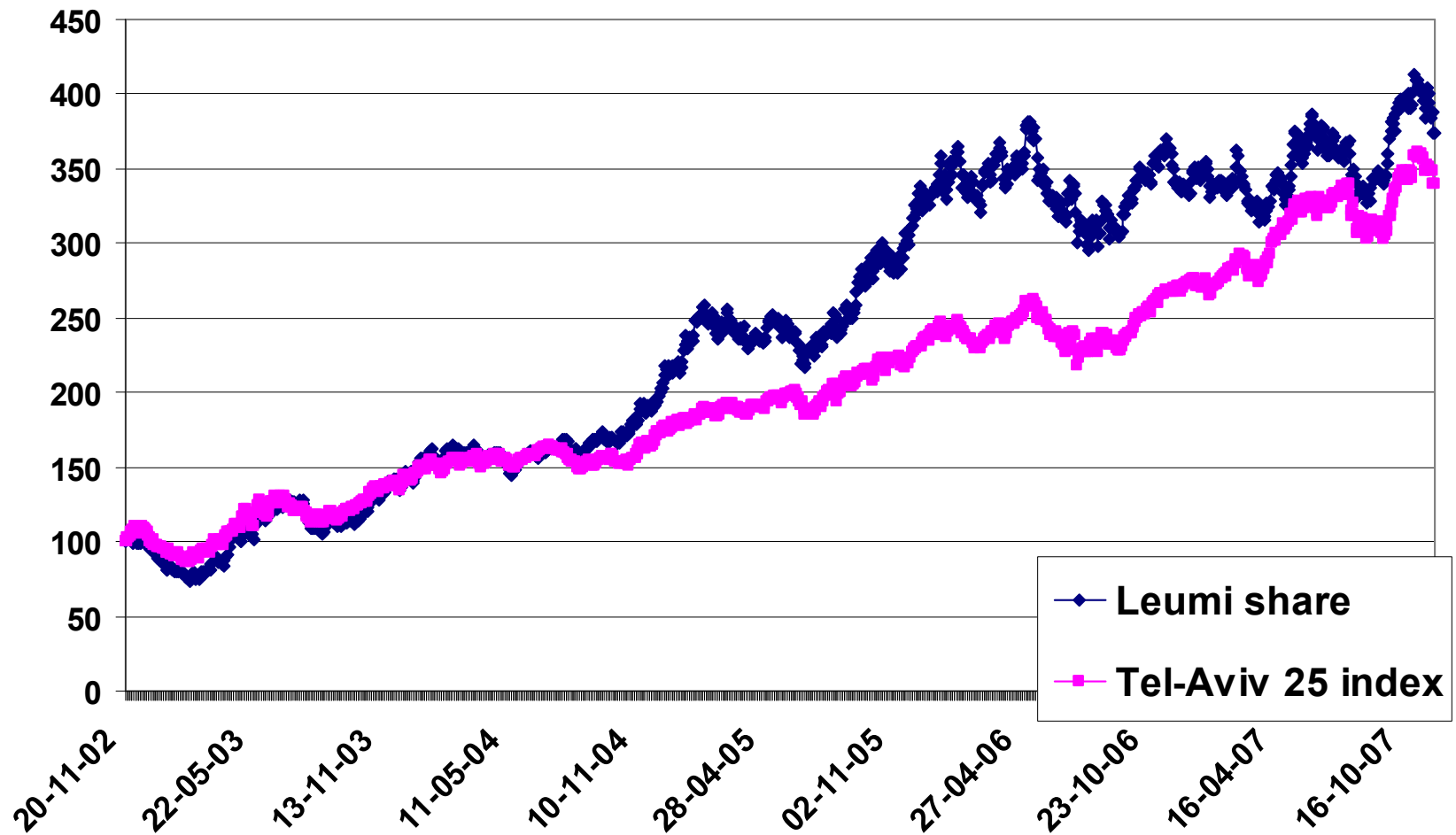
In USD Millions at 30/9/2007

	<i>Amortized Costs</i>	<i>Unrealized Profits from Adjustments to Fair Value</i>	<i>Unrealized Losses from Adjustments to Fair Value</i>	<i>Fair Value</i>
Mortgage-Backed Securities				
Pass-Through Securities:				
Guaranteed by GNMA	34.2	0	(0.2)	34.0
Issued by FNMA and FHLMC	412.4	0.3	(10.0)	402.7
Other pass-through securities	31.8	0.2	-	32.0
Total Interim MBS	478.4	0.5	(10.2)	468.7
Other Mortgaged-Backed Securities (Includes CMOs and Stripped MBS):				
Issued or guaranteed by FNMA, FHLMC or GNMA	471.3	0.1	(5.6)	465.8
Collateralized by MBS issued or guaranteed by FNMA, FHLMC or GNMA	149.8	0.2	(0.5)	149.5
All other mortgaged-backed securities	4.4	-	(0.2)	4.2
Total Interim MBS	625.5	0.3	(6.3)	619.5
Asset-backed securities	581.8	1.2	(18.8)	564.2*
Total asset-backed securities available for sale	1,685.7	2.0	(35.3)	1,652.4

*CLO's \$299 million; SCDO's \$125 million

Leumi share and Tel-Aviv 25 index

20/11/2002=100



Summary

	<i>September 30, 2007</i>	
<i>NIS millions</i>	<i>Actual</i>	<i>Adjusted</i>
Net operating profit	2,472	2,566
Rate of change*	132.5%	61.9%
Return on net operating profit	17.9%	18.5%
Expenses	(7.6%)	3.0%
Efficiency ratio	57.0%	54.9%
Provision for doubtful debts	0.09%	-
BIS	12.1%	-
<i>Rate of change*</i>		-
Total revenues	10.4%	-
Credit to the public	8.8%	-
Deposits of the public	6.7%	-
Off balance sheet items	20.4%	-

* to September 30, 2006