



Leumi Group

Israel's Largest Bank and Leading International Financial Group

Third Quarter 2009 Earnings Review





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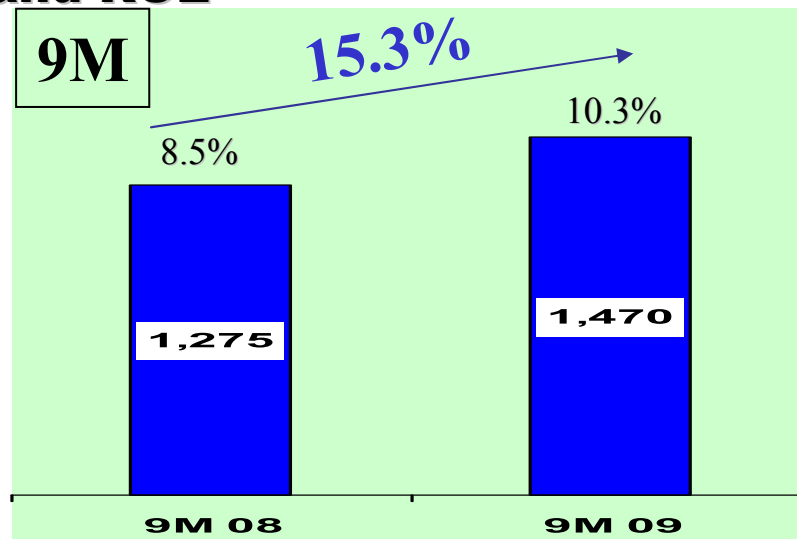
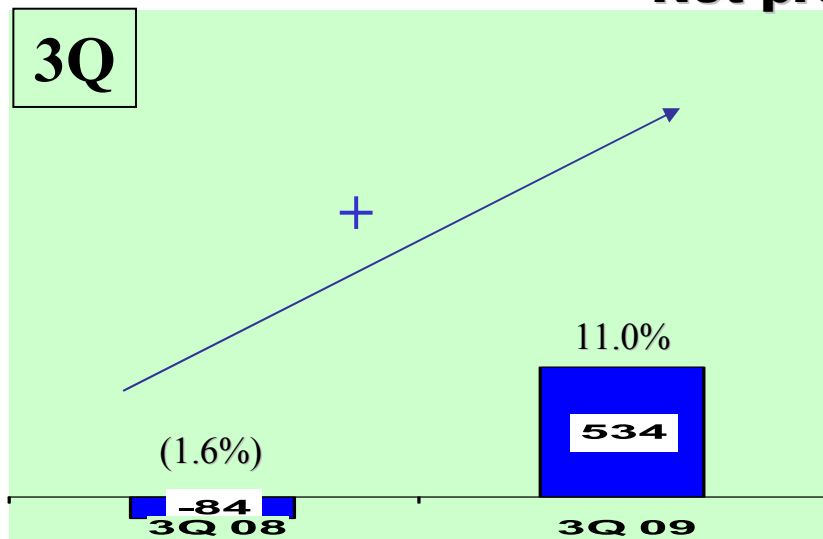
Main macroeconomic variables

		2008	2009*	2010*
Annual Rates of Change, Real Terms	GDP	4.0%	0.0%	2.7%
	Gross product of the business sector	4.5%	-0.9%	2.8%
	Private consumption	3.6%	0.6%	2.8%
	Public consumption	2.1%	2.7%	3.1%
	Investment in fixed assets	4.4%	-5.9%	-1.0%
	Exports of goods and services	5.2%	-13.2%	4.5%
Percentage of GDP	Imports of goods and services	2.4%	-10.4%	2.6%
	Current account surplus(+)/deficit (-)	0.8%	4.6%	3.8%
	Government budget surplus (+)/deficit (-)	-2.1%	-4.7%	-3.9%
Annual Average	Government debt	77.5%	81.8%	83.8%
	Unemployment rate	6.0%	8.2%	7.8%
Additional Data	Consumer price index, year-end change	3.8%	3.9%	2.3%
	Shekel / US\$ average exchange rate	3.59	3.93	3.65
	Bank of Israel average interest rate	3.7%	0.8%	2.3%

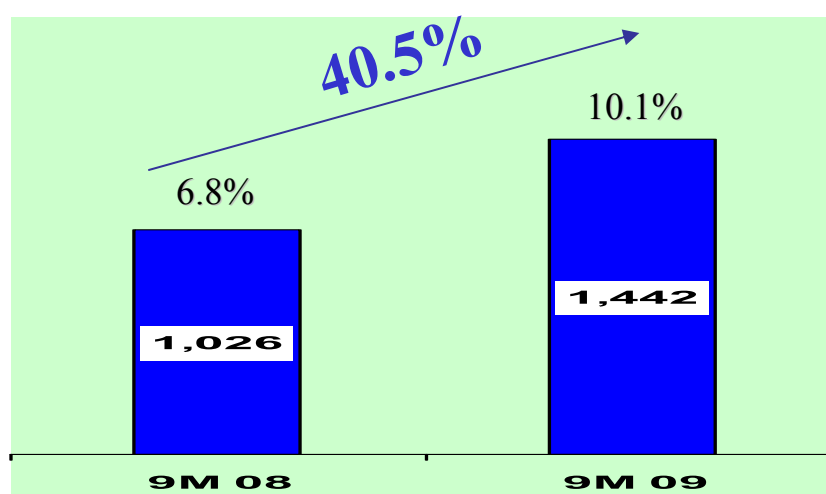
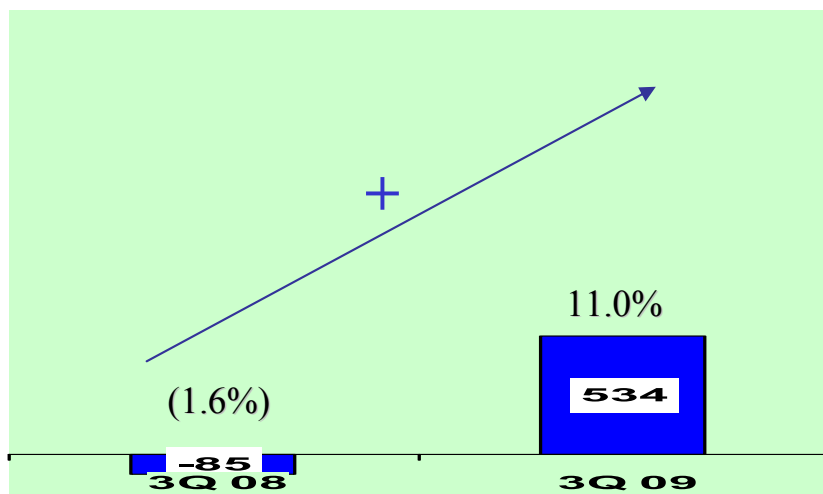
A sharp rebound in profitability

NIS millions

Net profit and ROE



Net operating profit and ROE

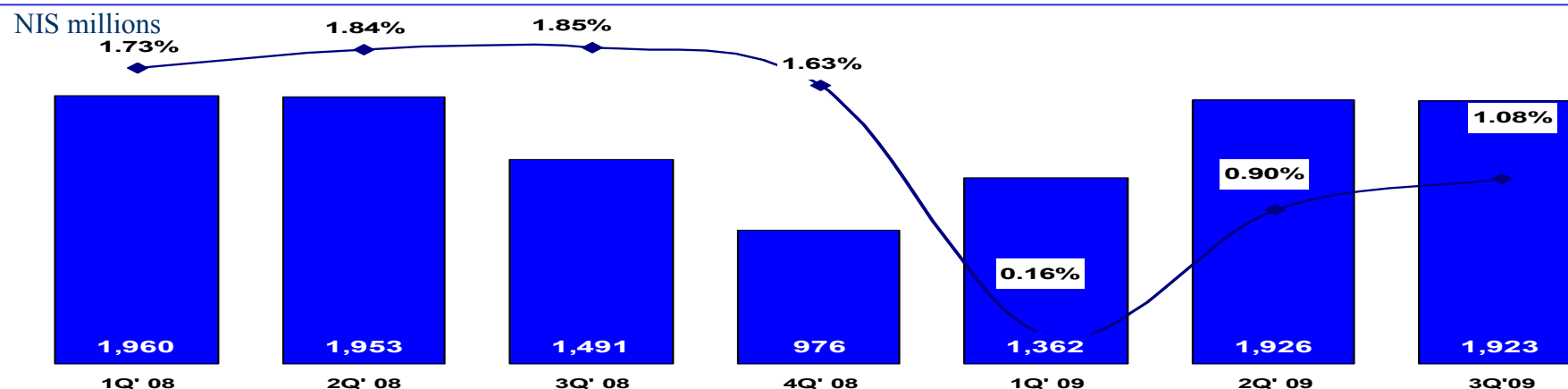


P&L: profits from core banking increased

NIS millions

	9M 2009	9M 2008	Change	%Δ
Net interest income before provision	5,211	5,404	(193)	(3.6)
Operating and other income	3,308	2,255	1,053	46.7
Total Income	8,519	7,659	860	11.2
Provision for doubtful debts	1,136	1,055	81	7.7
Operating and other expenses	4,962	5,202	(240)	(4.6)
Operating profit after taxes	1,471	558	913	163.6
Companies included on the equity basis	0	471	(471)	-
Net operating profit	1,442	1,026	416	40.5
Net profit	1,470	1,275	195	15.3

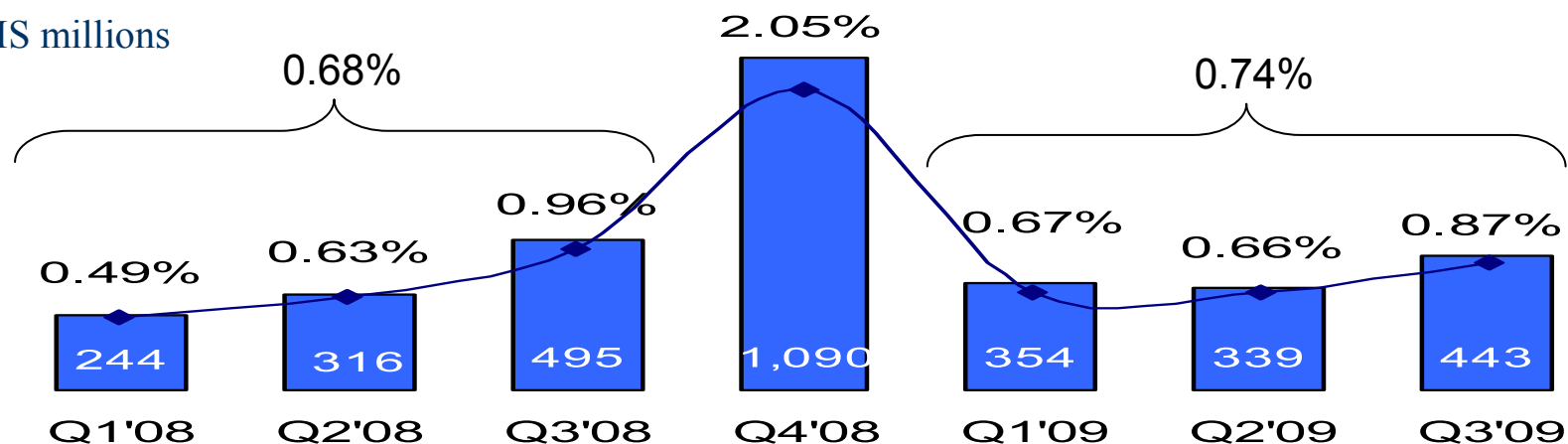
Net interest income: positively impacted by trading gains and mark-to-market write-backs



	9M 2009	9M 2008	Change	% Δ
Current activities	4,806	4,884	(78)	(1.6)
Collection and reduction of interest in respect of problem loans	274	416	(142)	(34.2)
Exchange rate differentials in respect of financing shares recorded in operating income or capital fund	(61)	228	(289)	-
Profits (losses) from sale of available-for-sale debentures, net	295	(508)	803	+
Profits (losses) that were realized and that have not been realized from adjustments to market value of debentures for trading	221	(65)	286	+
Financing costs in connection with hedging overseas investments	(7)	36	(43)	-
Adjustments of derivatives to fair value	(368)	59	(427)	-
Effect of the known CPI	51	354	(303)	(85.6)
Total	5,211	5,404	(193)	(3.6)

Provisions for doubtful debts

NIS millions

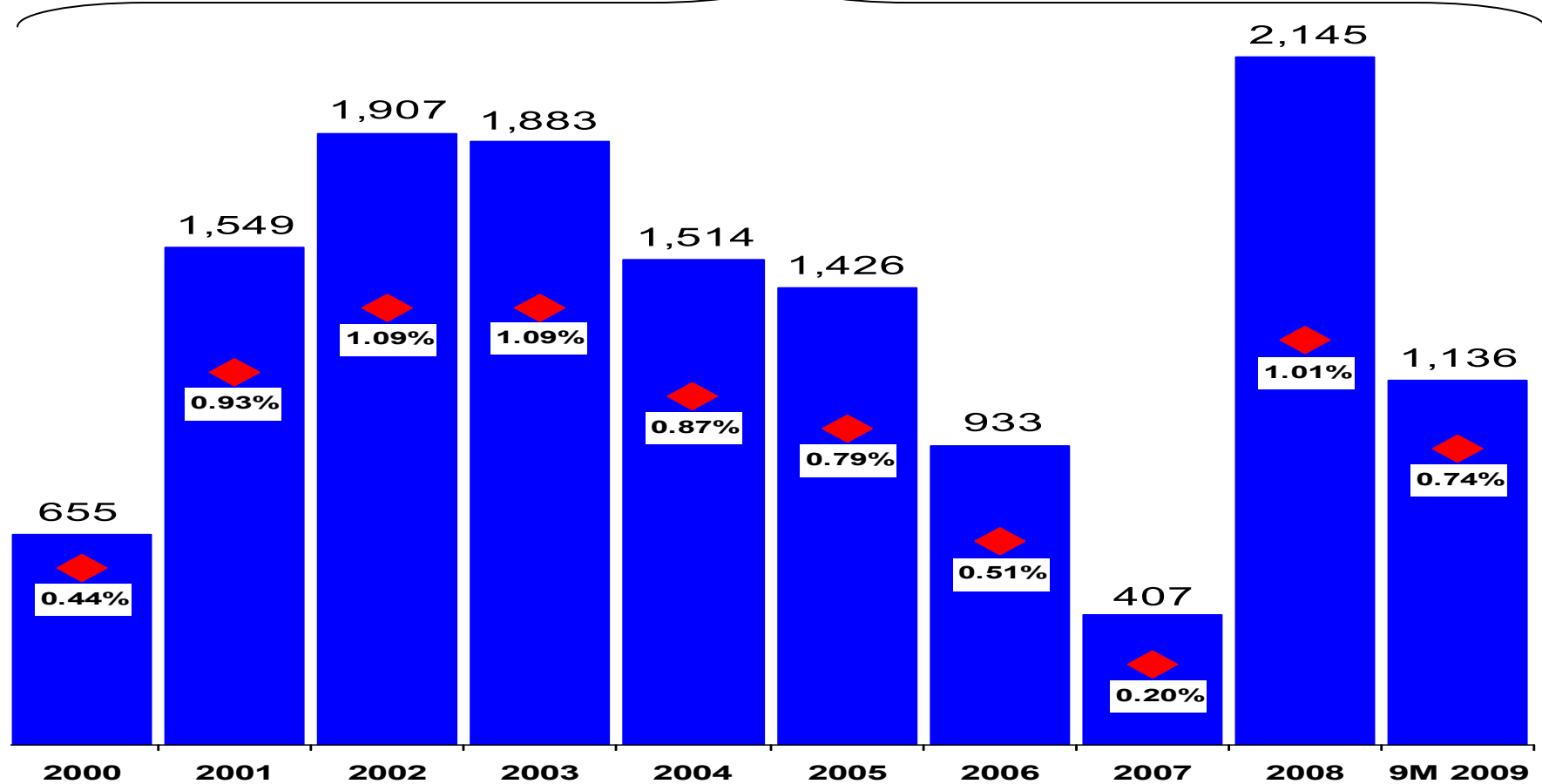


	9M' 09	9M'08	Change	%Δ
Specific provision during the period	1,876	1,689	187	11.1%
Reduction of a specific provision	(686)	(584)	(102)	17.5%
Collection of debts previously written off	(10)	(25)	15	(60.0%)
Net addition recorded in the profit and loss statement	1,180	1,080	100	9.3%
Net addition recorded in the profit and loss statement re additional and general provision	(44)	(25)	(19)	76.0%
Total provision for doubtful debts	1,136	1,055	81	7.7%

9M'09 provisions are slightly below 10 year average

NIS millions

0.77%



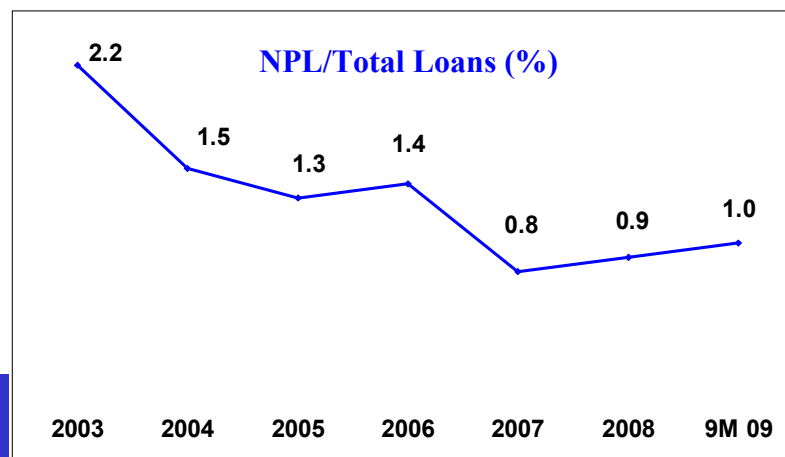
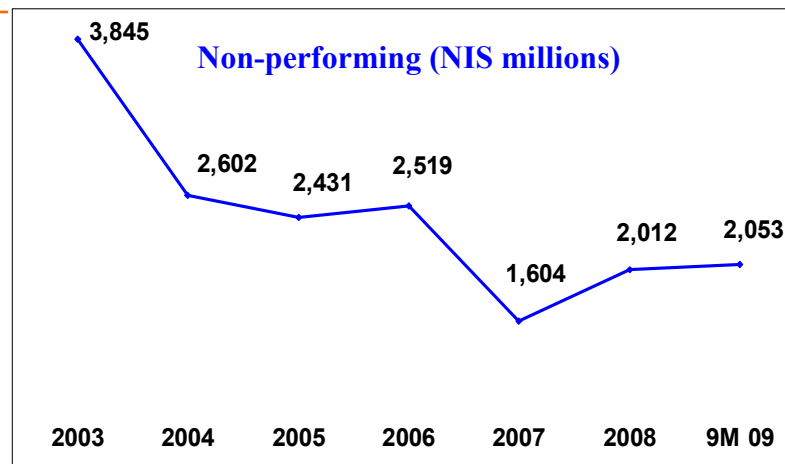
Provision for doubtful debts



Rate of provisions to total credit to the public

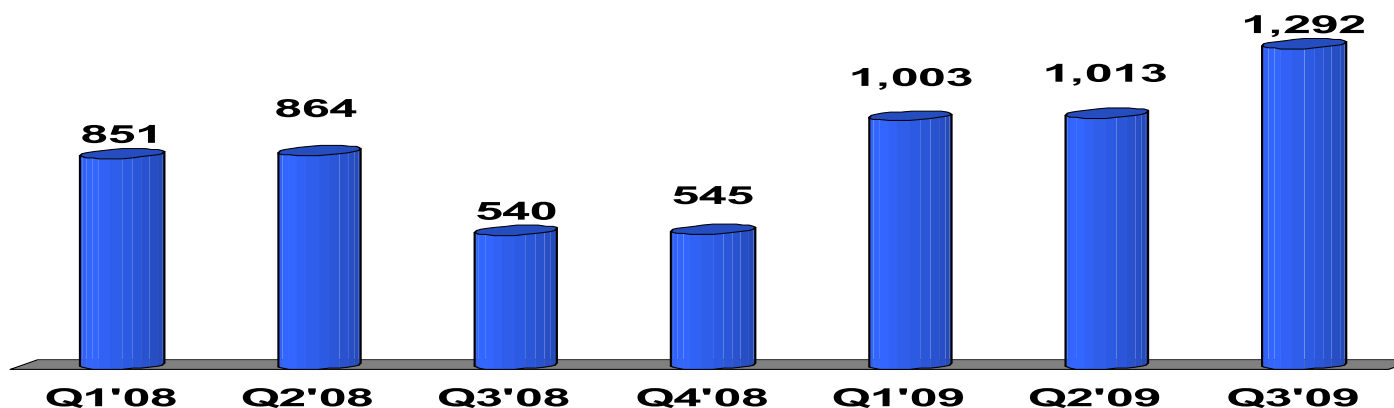
Total problematic debt is high due to watch list

NIS millions	30.09.09	31.12.08	%Δ
Non-performing	2,053	2,012	2.0%
Restructured or to be restructured	1,029	963	6.9%
In temporary arrears	589	562	4.8%
Under special supervision*	13,464	14,545	(7.4%)
Total balance sheet credit risk	17,135	18,082	(5.2%)
Off balance sheet credit risk	3,172	3,482	(8.9%)
Debentures of problem borrowers and the banks' overall credit risk	785	614	27.9%
Other assets in respect of derivatives of problem borrowers	337	612	(44.9%)
Total overall credit	21,429	22,790	(6.0%)



Operating & other income grew 46.7% YoY

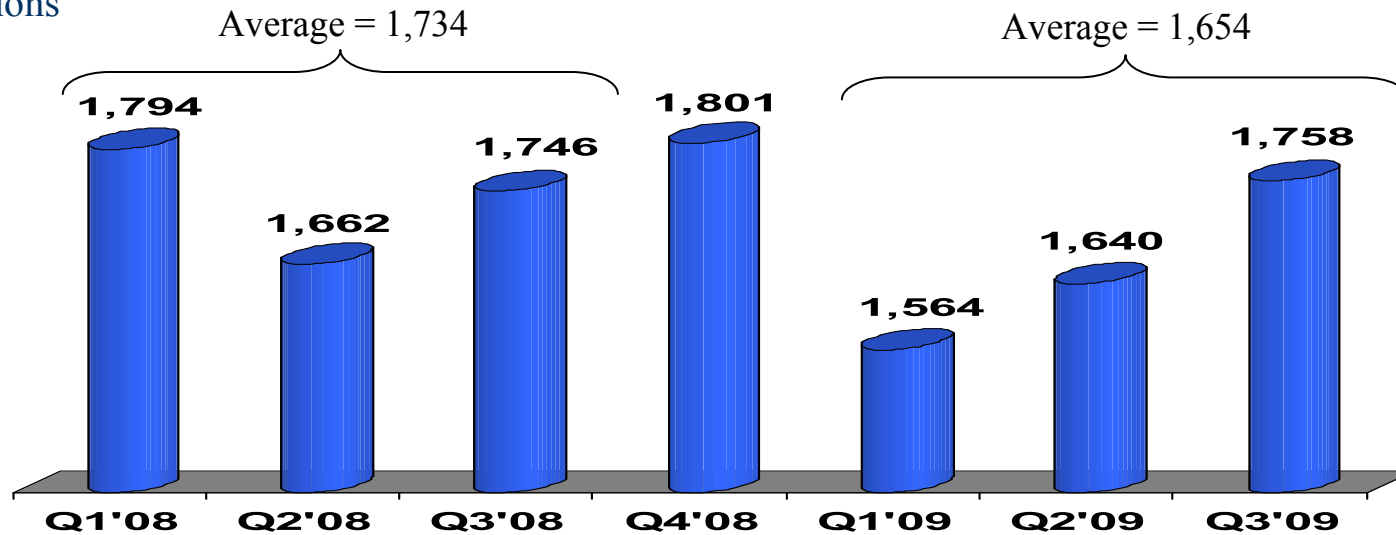
NIS millions



	9M'09	9M'08	Change	% Δ
Operating Commissions	2,586	2,671	(85)	(3.2)
Income (losses) from investments in shares	471	(478)	949	+
Other Income	251	62	189	+
Total	3,308	2,255	1,053	46.7

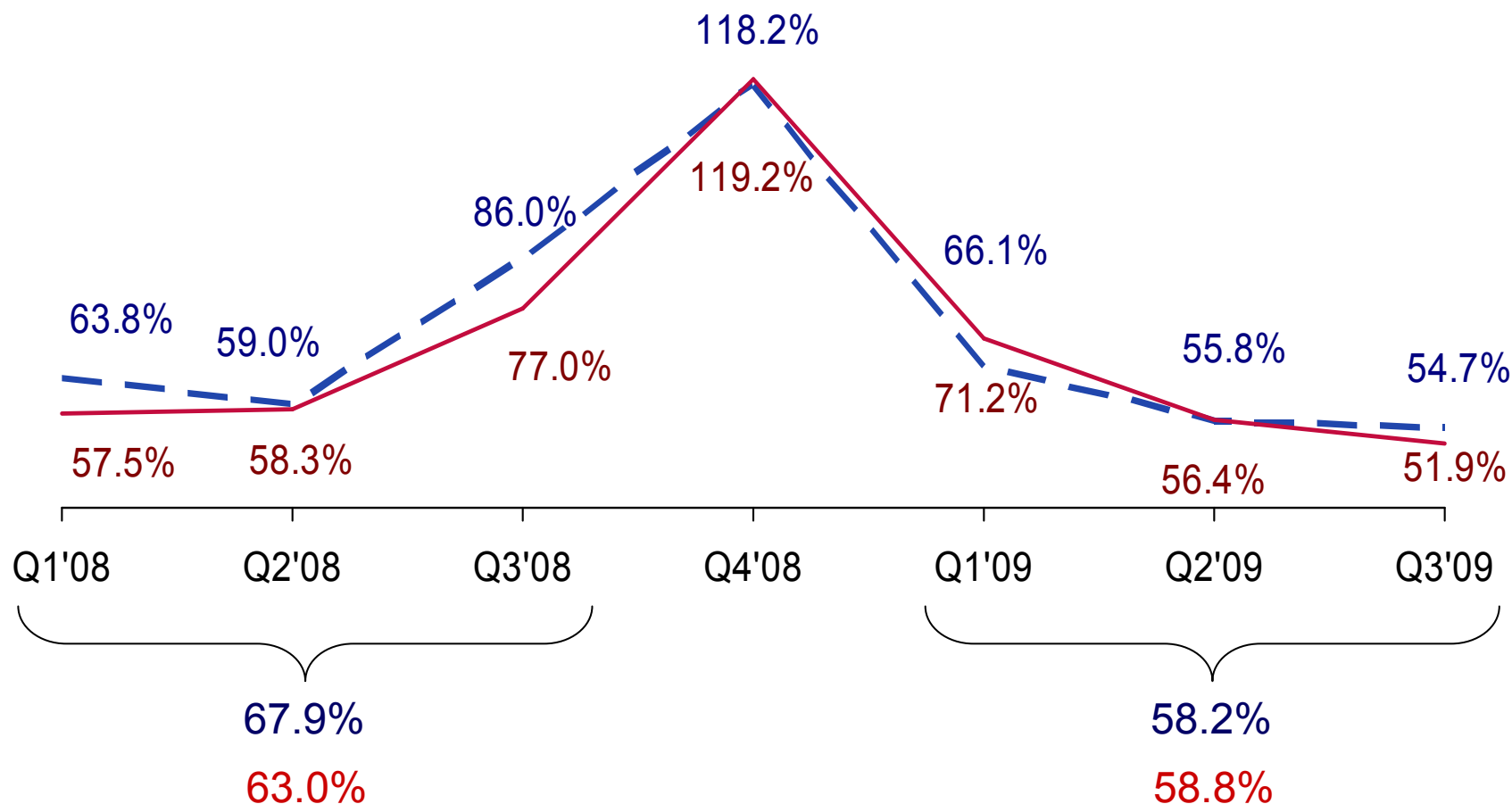
Operating expenses decreased 4.6% YoY

NIS millions



	9M'09	9M'08	Change	Δ%
Salaries and related expenses	2,864	3,149	(285)	(9.1)
Building and equipment maintenance and depreciation	1,110	1,020	90	8.8
Other expenses	988	1,033	(45)	(4.4)
Total	4,962	5,202	(240)	(4.6)

Efficiency ratio (Cost/Income)



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

NIS millions

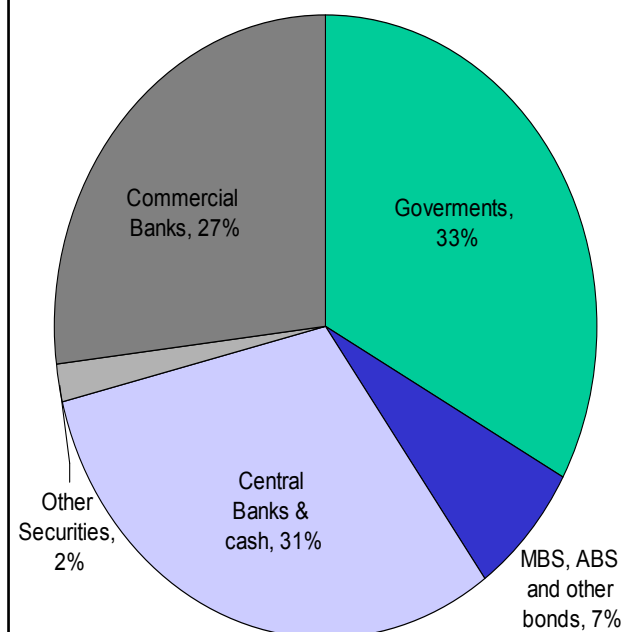
	9M 2009	9M 2008	% Δ	Contribution to profit
Households	193	517	(62.7)	13.9%
Small businesses	153	265	(42.3)	11.1%
Corporate banking	666	447	49.0	48.1%
Commercial banking	244	354	(31.1)	17.6%
Private banking	160	52	207.7	11.6%
Financial management- capital markets and others	(32)	(288)	+	(2.3%)
Total	1,384	1,347	2.7	100%

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

30 September 2009, NIS billions

Investments in securities by asset class			Deposits with Banks	
Government Bonds	33.3	57.0%	Central Banks	29.9
Bonds of Foreign Banks & others	15.8	27.0%	BOI	26.7
			Abroad	3.2
MBS	4.7	8.0%		
ABS	1.1	2.0%	Banks and Financial Institutions abroad	11.0
Corporate Bonds in Israel	1.0	2.0%		
Total Bonds	55.9	96.0%	Banks in Israel	1.2
Shares of Israeli companies *	1.8	3.0%		
Funds/Shares abroad	0.7	1.0%	Cash	1.8
Total Securities Portfolio	58.4	100%	Total	43.9

Breakdown of nostro by counterparty

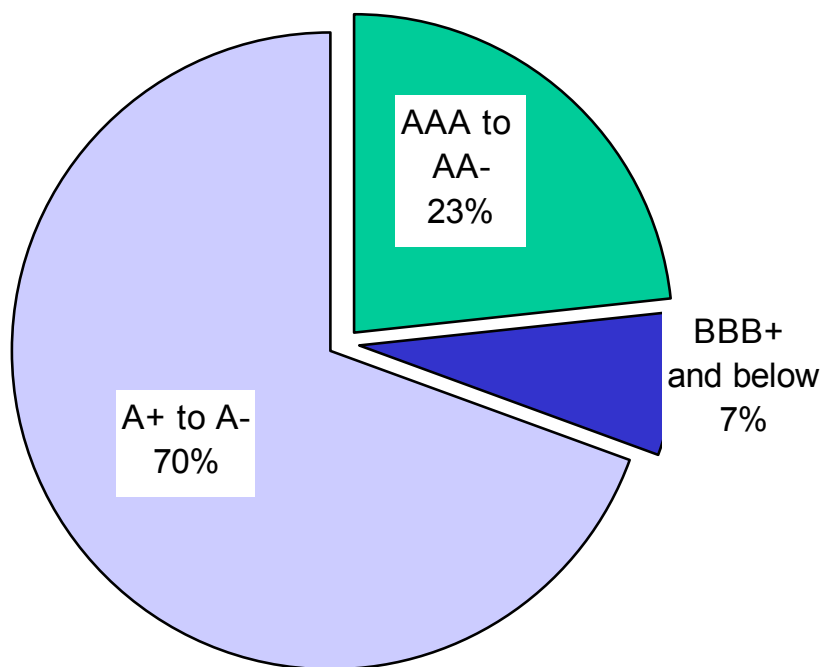


Low risk: 93% of exposure is with institutions rated A- and above

30 September 2009, NIS billions, % of total

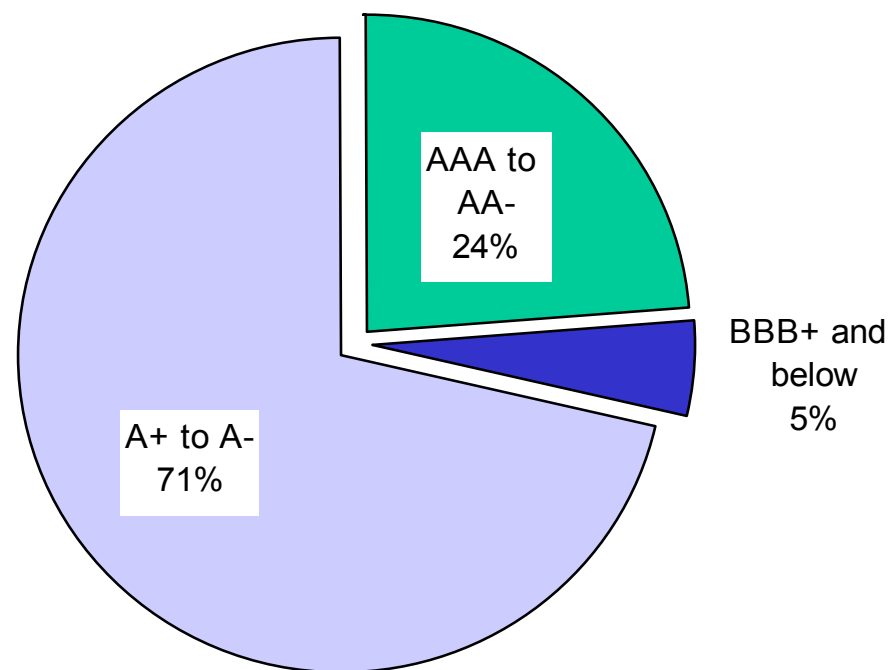
Total exposure to foreign financial institutions*

Total = 30.1



Exposure to securities of foreign financial institutions

Total = 15.2



Other Comprehensive Income*

A sharp increase in the value of bonds

NIS millions

	30/09/2009	31/12/2008	Δ
Shares	686	429	257
Israel government bonds	183	434	(251)
Foreign government bonds	5	9	(4)
Other bonds	(505)**	(1,864)	1,359
Other credit instruments	(23)	(27)	4
Total	346	(1,019)	1,365
Related Tax	(118)	371	(489)
Net Total	228	(648)	876

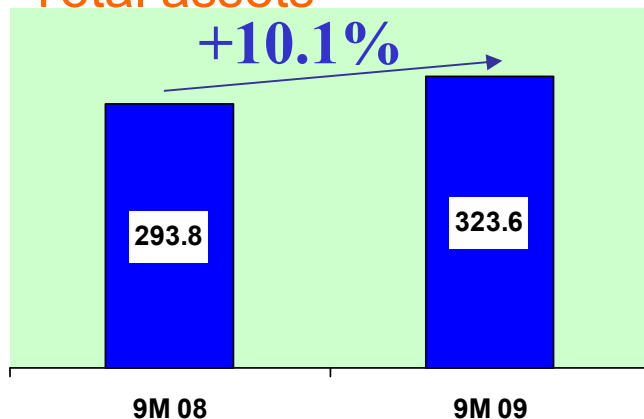
* Net balances in shareholders' equity (net adjustments in respect of available-for-sale securities before tax)

** Impact on capital equity in an event of a loss: 0.13%

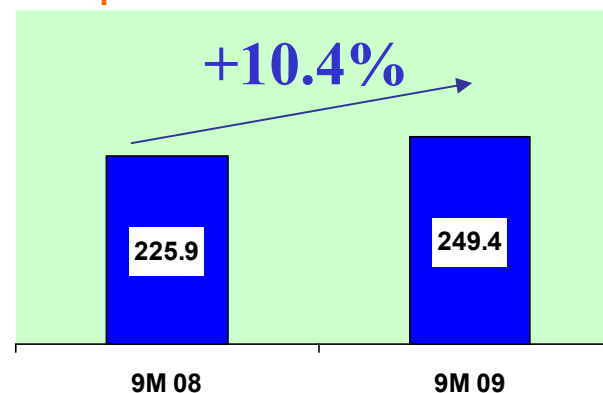
Continuous growth despite difficult economic environment

NIS billions

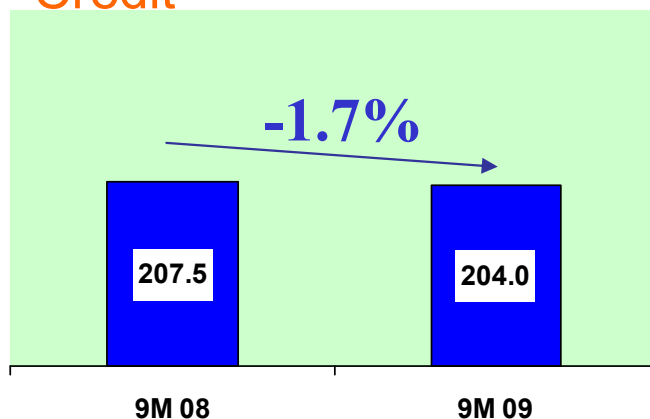
Total assets



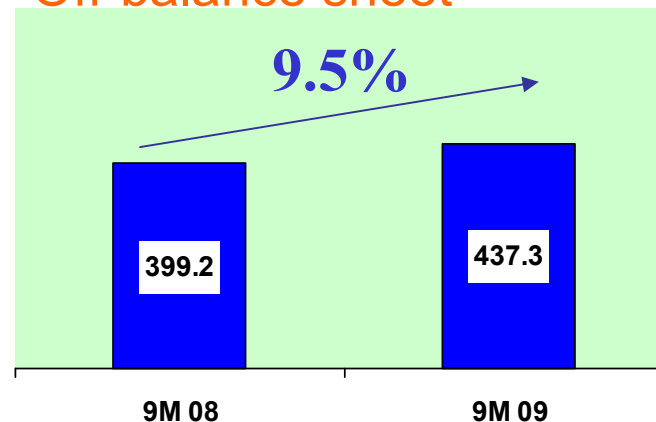
Deposits



Credit

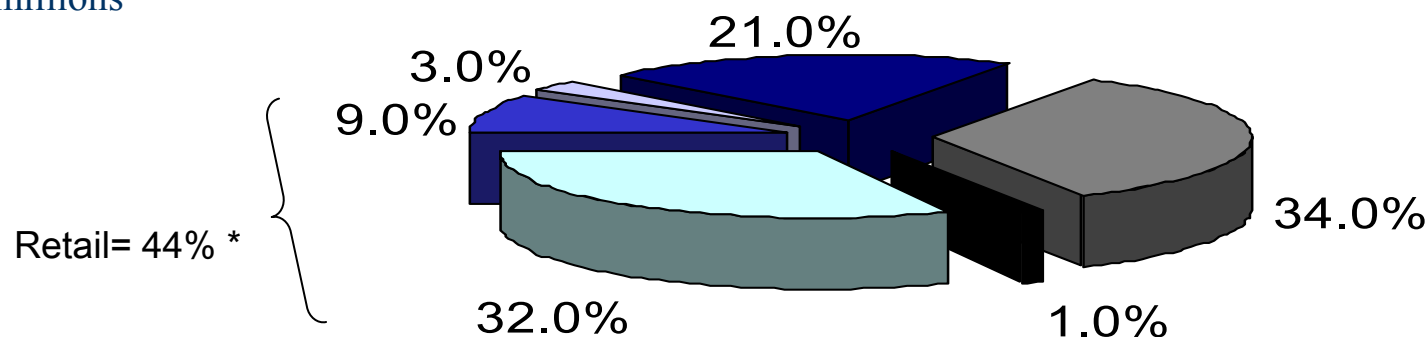








Off-balance sheet



A diversified credit portfolio

NIS millions



	Credit	30/09/2009	31/12/2008	%Δ 9M2009
	Households	65,401	62,145	5.2%
	Small businesses	17,283	18,161	(4.8%)
	Commercial banking	43,747	48,506	(9.8%)
	Corporate banking	70,016	76,563	(8.6%)
	Private banking	6,286	6,438	(2.4%)
	Financial management-capital markets and others	1,238	1,402	(11.7%)
	Total	203,971	213,215	(4.3%)

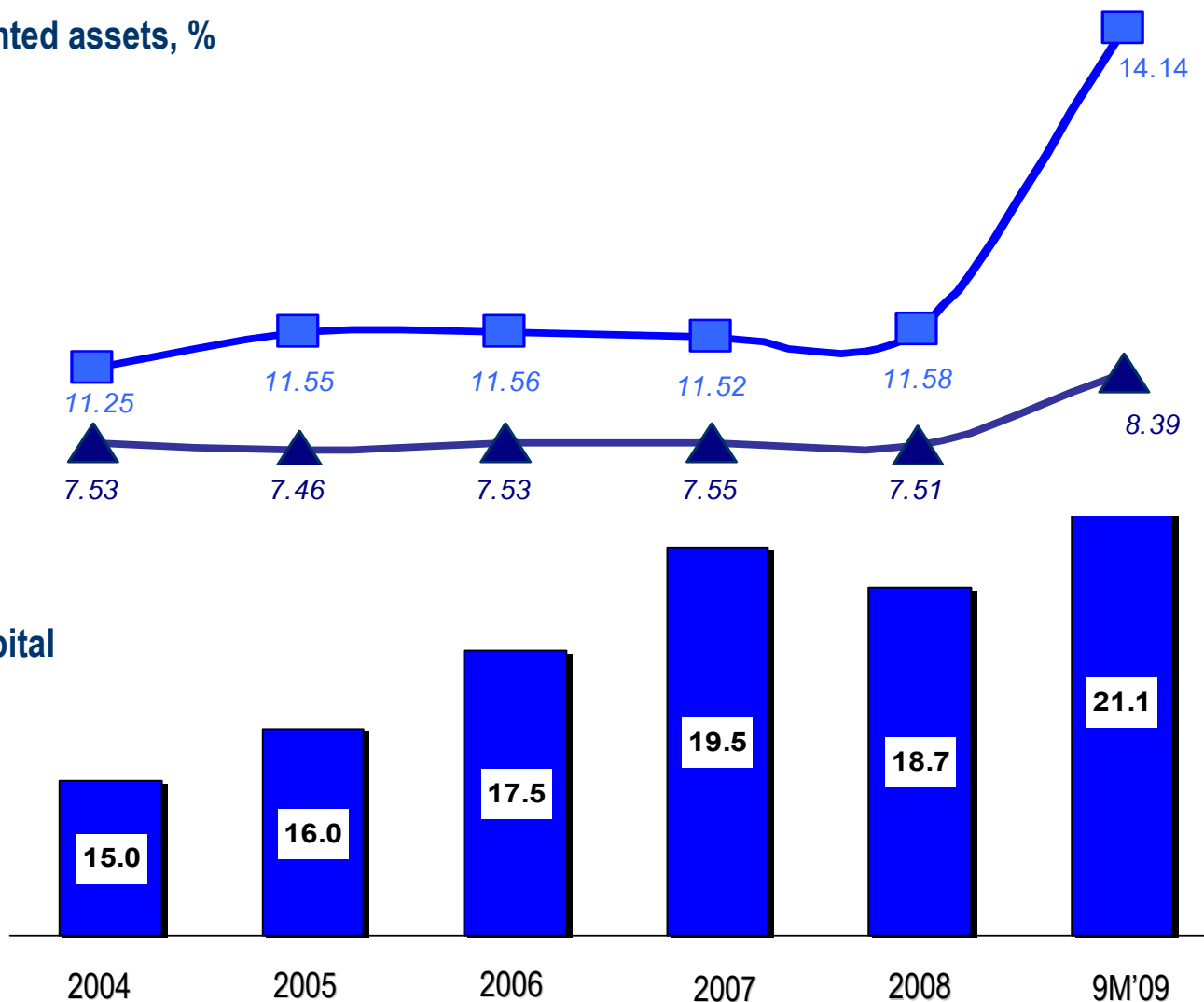
Strong capital base and core Tier 1 – a competitive advantage

Capital to risk weighted assets, %

Total

Core Tier I/ TCE*

Development of Capital
NIS billions



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

Solid capital base

- Capital adequacy ratio 14.14%
- Core tier 1 capital 8.39%

Liquid balance sheet

- Loans/deposits ratio 81.8%

'Plain vanilla' balance sheet

- Credit to total assets: 63.0%
- Deposits to total assets: 77.1%
- Deposits/Credit: 122%

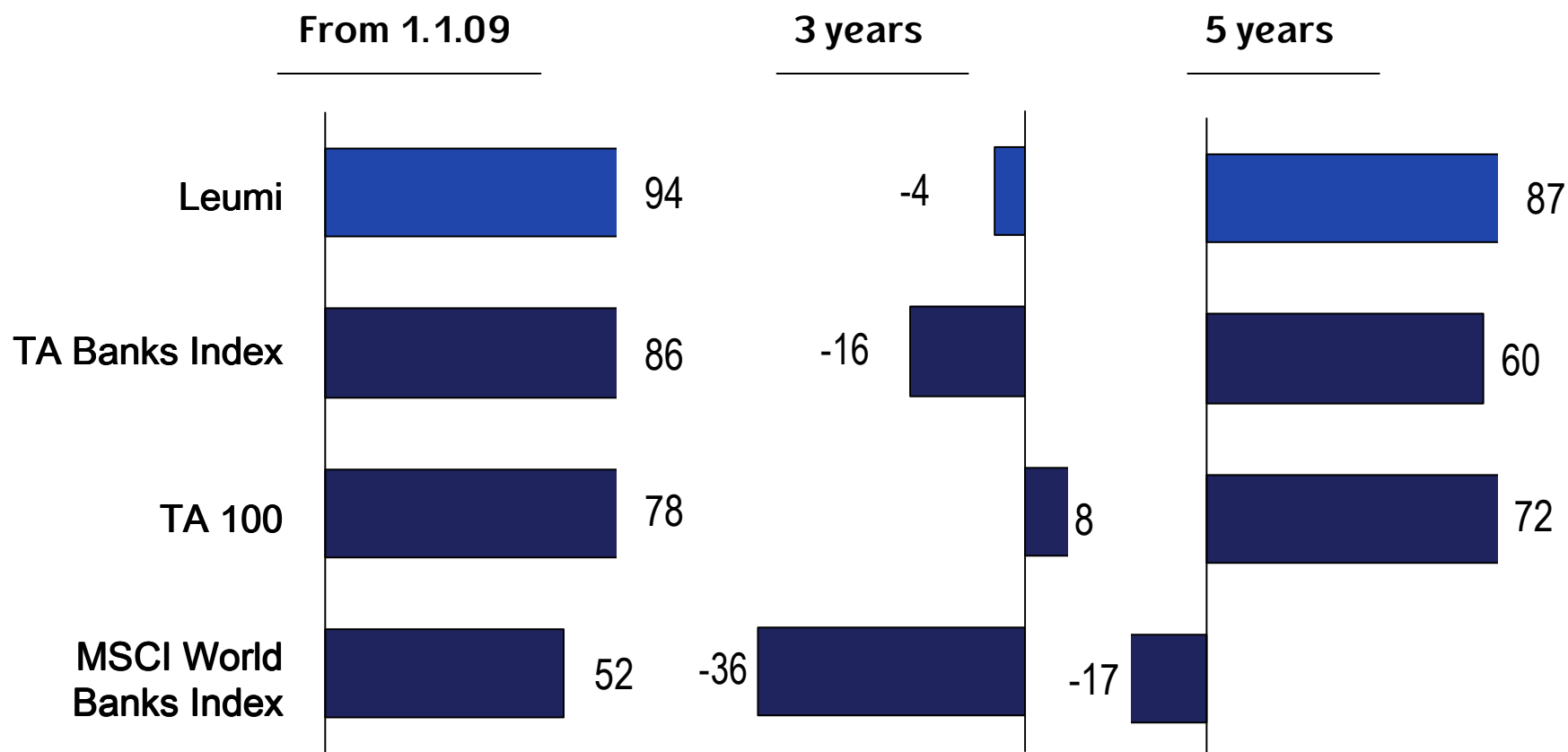
Credit quality

- NPL: 1.0% of total credit

Low risk, high return

as of 18/11/09 ,%


Shareholders' Returns*



Israel's leading and most profitable international banking group

The Leumi Group in perspective

in billions

9M 2009		Compared to Israeli peers *
Total Assets	NIS 324	1
Total Deposits	NIS 249	1
Total Credit	NIS 204	2
Net Profit	NIS 1,470	1
Market Cap **	US\$ 6.2	1
Core Tier 1 Capital Ratio	8.39%	2

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

** As at 25/11/09

Thank You

Wherever you wish to go, Leumi is with you

