


Leumi Group

Third Quarter 2010 Earnings Review





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Israel: Strong macroeconomic fundamentals

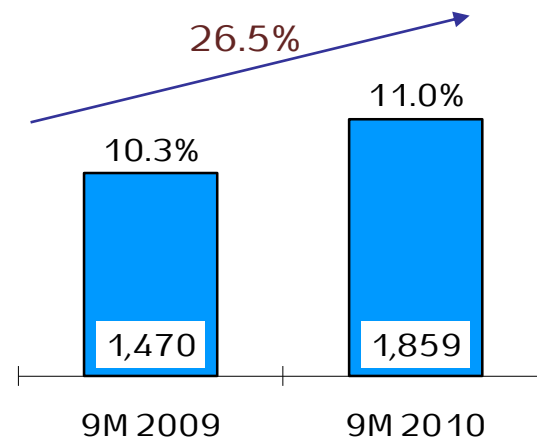
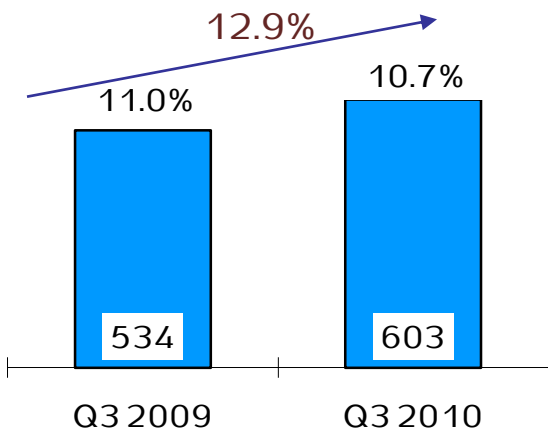
		2009	2010*	2011**
Annual Rates of Change, Real Terms	GDP	0.8%	4.0%	3.6%
	Gross product of the business sector	0.1%	4.3%	4.1%
	Private consumption	1.7%	4.6%	3.5%
	Public consumption	2.5%	4.0%	3.0%
	Investment in fixed assets	-5.8%	6.2%	7.4%
	Exports of goods and services	-12.5%	9.1%	5.9%
	Imports of goods and services	-14.1%	10.6%	7.1%
Percentage of GDP	Current account surplus(+)/deficit (-)	3.7%	4.4%	3.3%
	Government budget surplus (+)/deficit (-)	-5.1%	-3.9%	-3.7%
	Government debt	80.0%	80.0%	82.0%
Annual Average	Unemployment rate	7.6%	6.2%	5.8%
	Consumer price index, year-end change	3.9%	2.4%	2.7%
Additional Data	Shekel / US\$ average exchange rate	3.93	3.73	3.65
	Bank of Israel average interest rate	0.8%	1.6%	2.5%

*Leumi Estimate **Leumi forecast

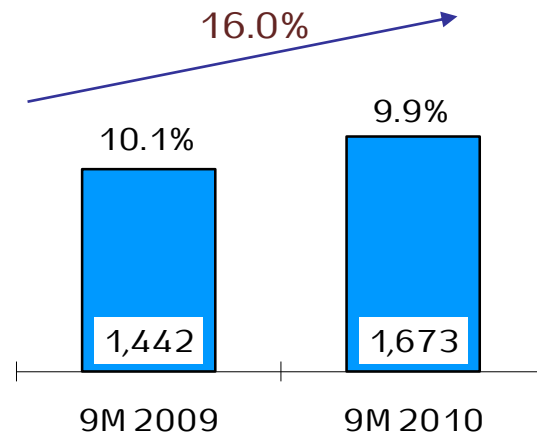
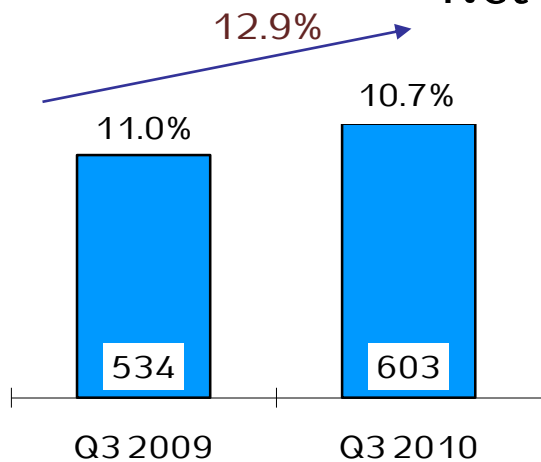
Solid financials: Highest in the Israeli banking system

NIS millions

Net Profit

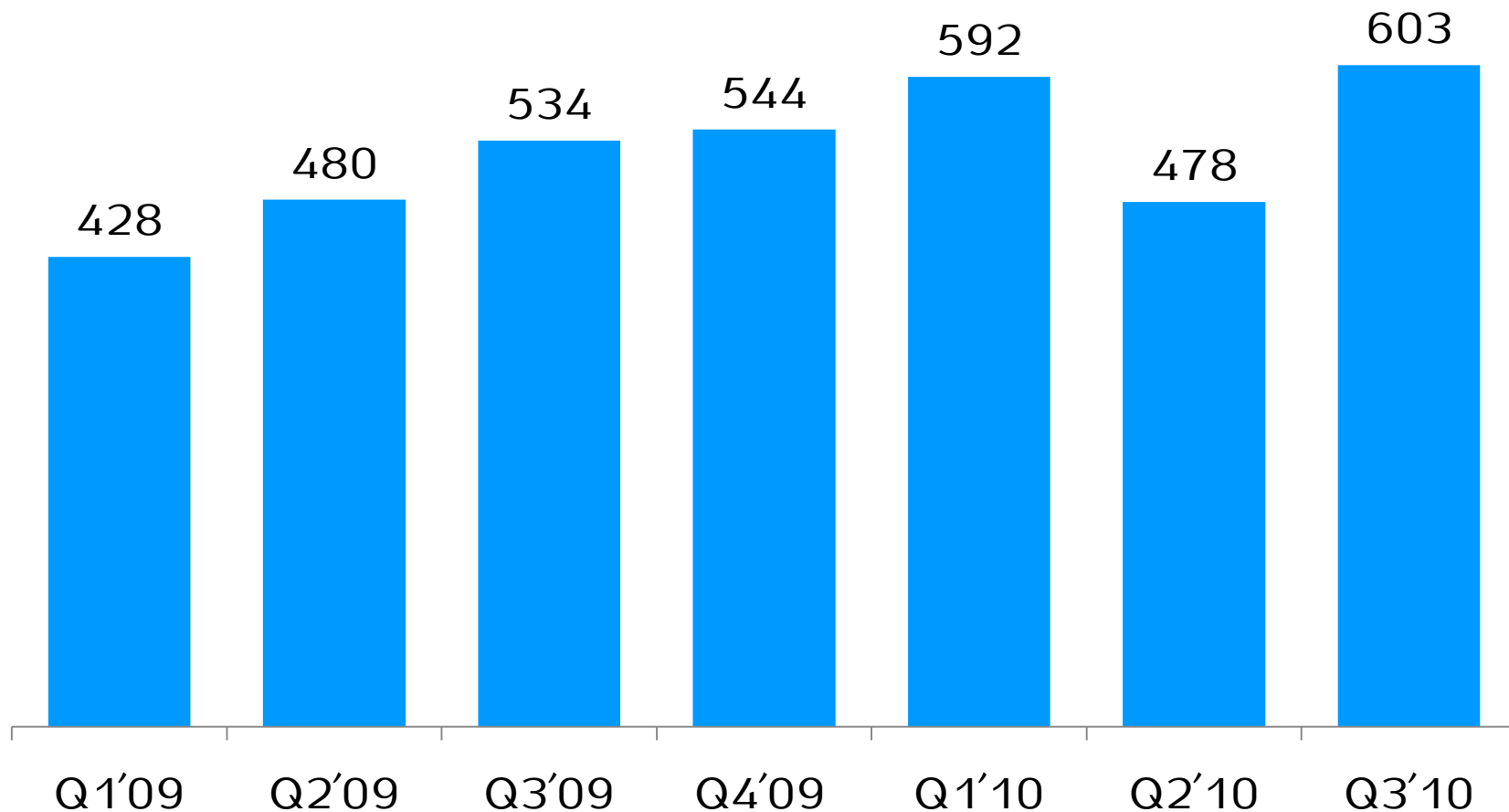


Net Operating Profit



Q3 net operating profit: highest of the last 7 quarters

NIS millions



Strong P&L performance

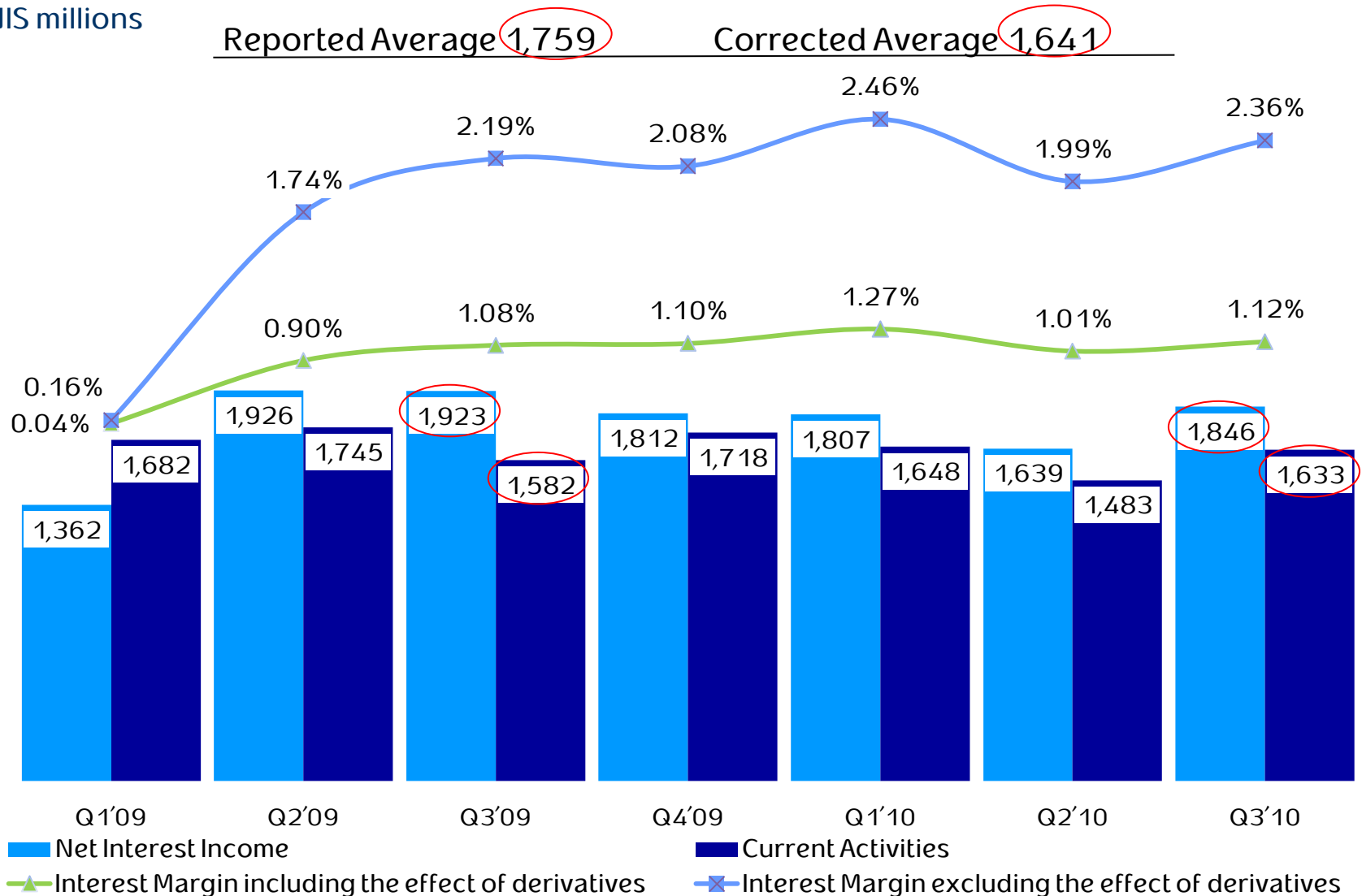
NIS millions

P&L Highlights

	9M 2010	9M 2009	Δ	Δ%
Net interest income before provision	5,292	5,211	81	1.6
Operating and other income	3,021	3,308	(287)	(8.7)
Total Income	8,313	8,519	(206)	(2.4)
Provision for doubtful debts	372	1,136	(764)	(67.3)
Operating and other expenses	5,627	4,962	665	13.4
Companies included on the equity basis	259	0	259	+
Operating profit	1,673	1,442	231	16.0
Net profit from extraordinary items	186	28	158	+
Net profit	1,859	1,470	389	26.5

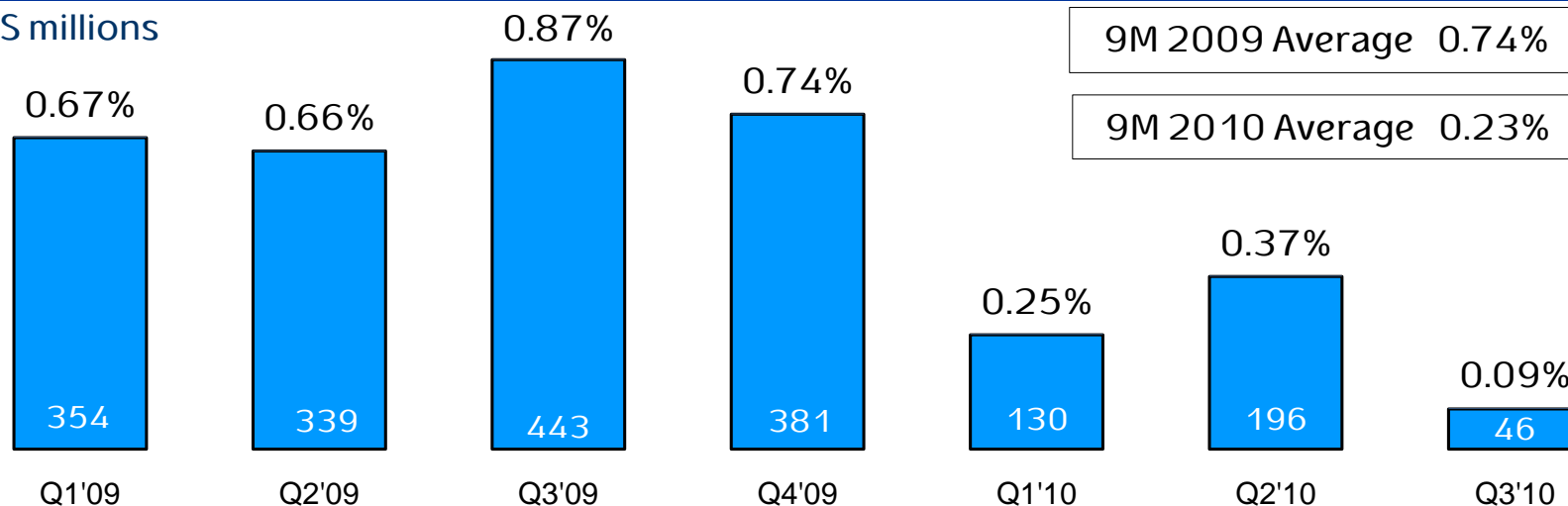
Net interest income remains impacted by low interest rate environment

NIS millions



Highest quality credit portfolio in the Israeli banking system

NIS millions

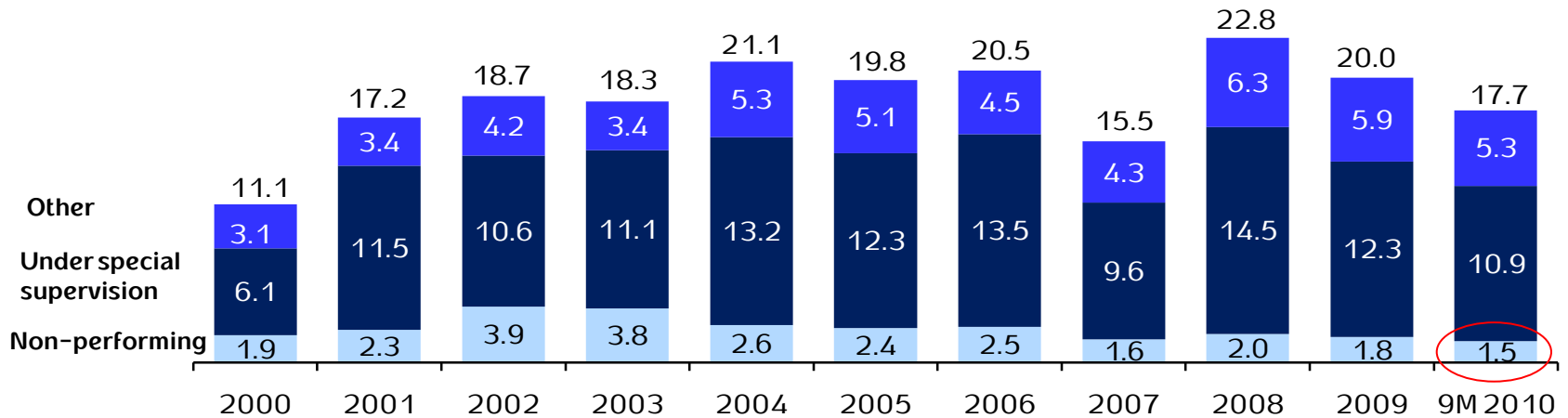


	9M'10	9M'09	Δ	Δ%
Specific provision during the period	1,472	1,876	(404)	(21.5)
Reduction of a specific provision	(990)	(686)	(304)	(44.3)
Collection of debts previously written off	(16)	(10)	(6)	60
Net addition recorded in the profit and loss statement	466	1,180	(714)	(60.5)
Net addition recorded in the profit and loss statement re additional and general provision	(94)	(44)	(50)	+
Total provision for doubtful debts	372	1,136	(764)	(67.3)

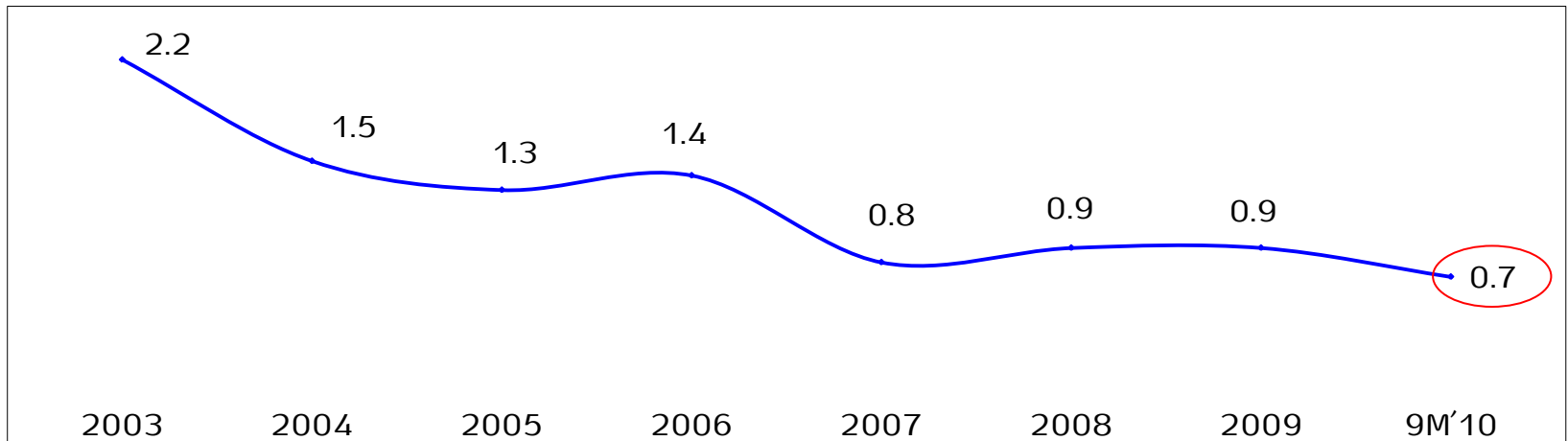
NPL / Total Loans is the lowest in the Israeli banking system

NIS billions

Problematic Debts

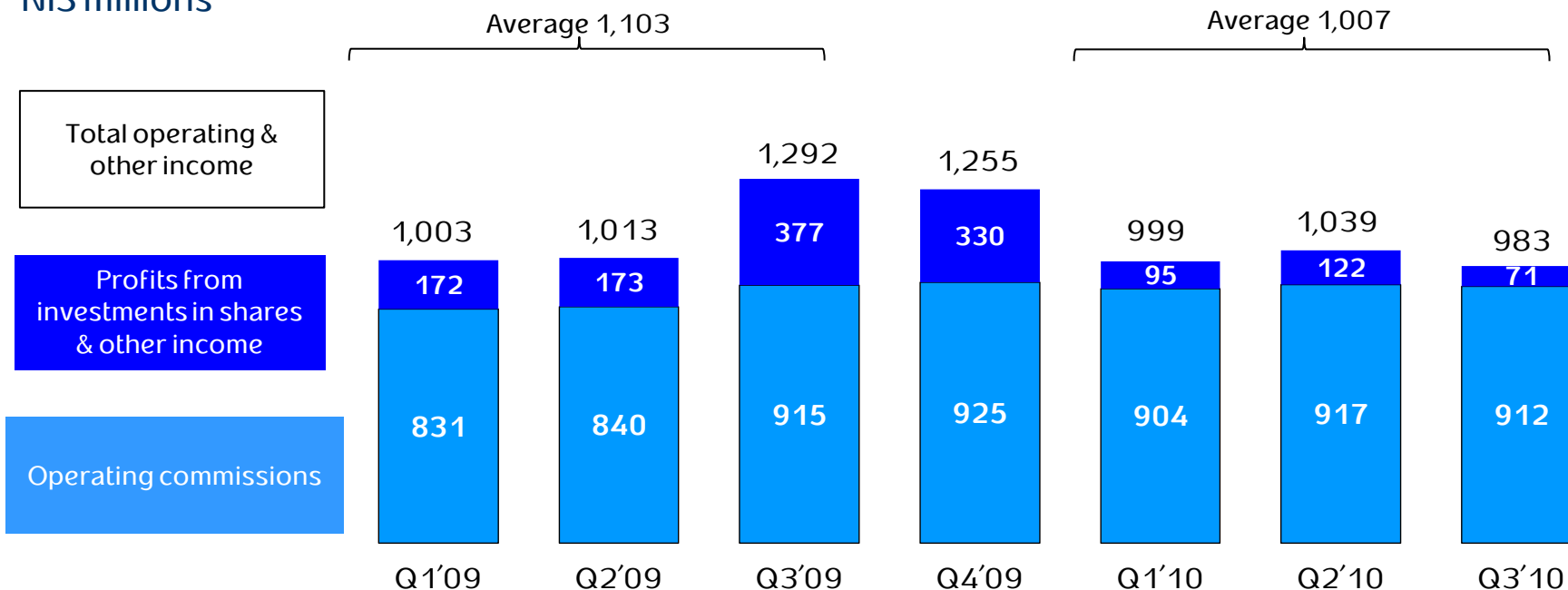


NPL / Total Loans (%)



Total operating income mainly affected by capital market activities

NIS millions



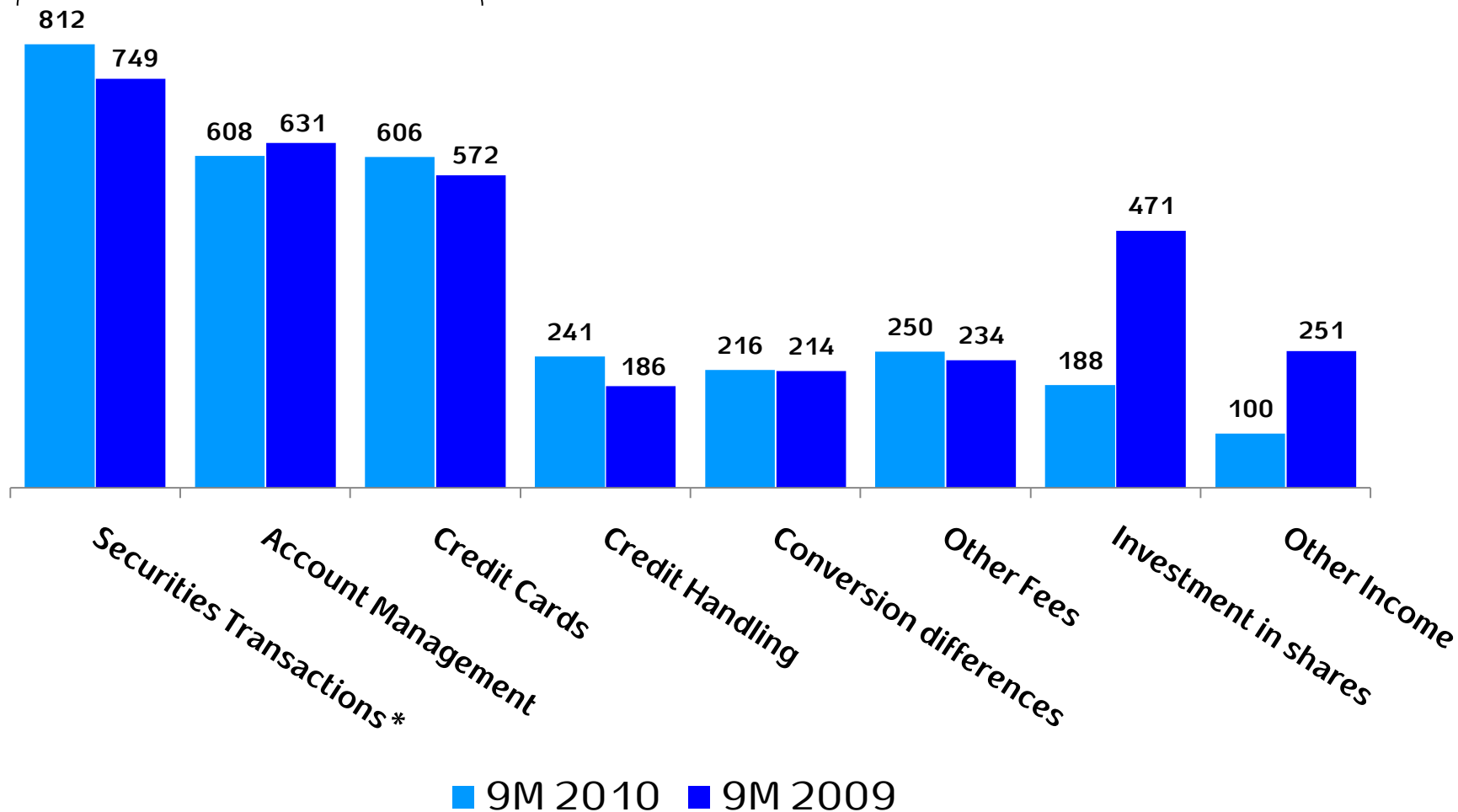
	9M 2010	9M 2009	Δ	Δ%
Operating Commissions	2,733	2,586	147	5.7
Profits (losses) from investments in shares	188	471	(283)	(60.1)
Other Income	100	251	(151)	(60.2)
Total	3,021	3,308	(287)	(8.7)

Operating commissions constitute 90% of total operating income

NIS millions

90%

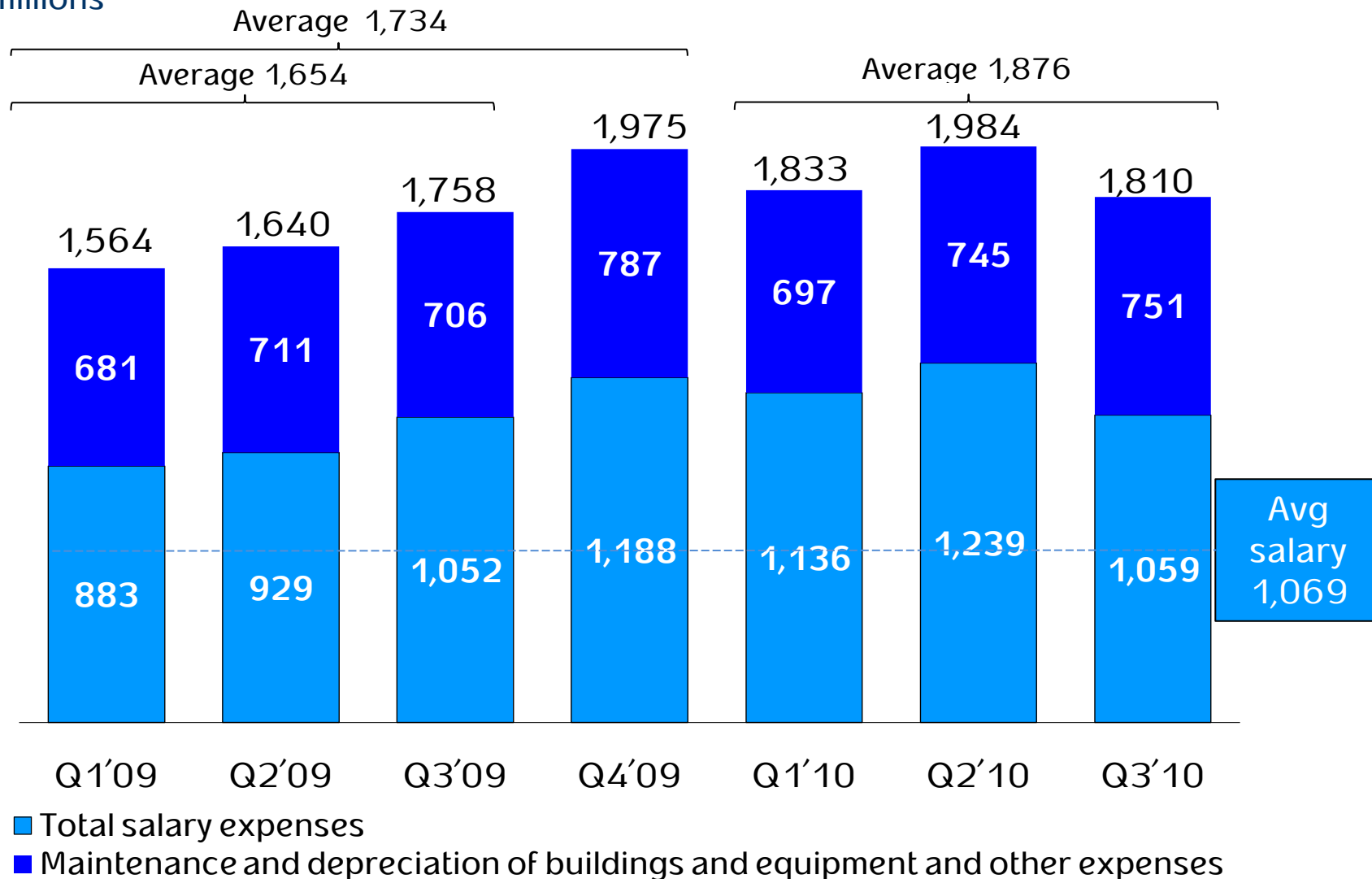
67%



*Includes financial product distribution commissions

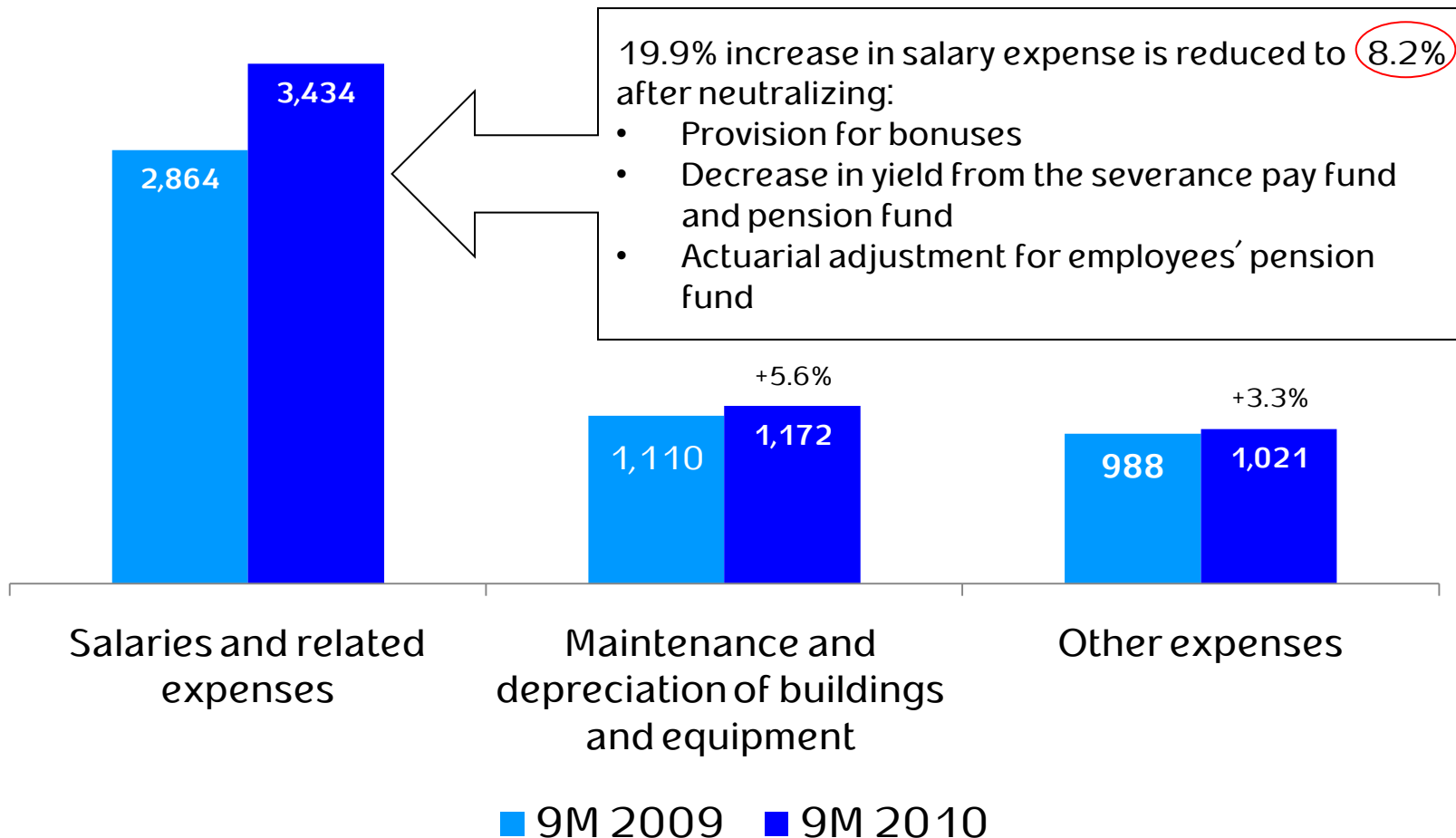
Operating expenses increased 13.4% YoY mainly due to one time items...

NIS millions

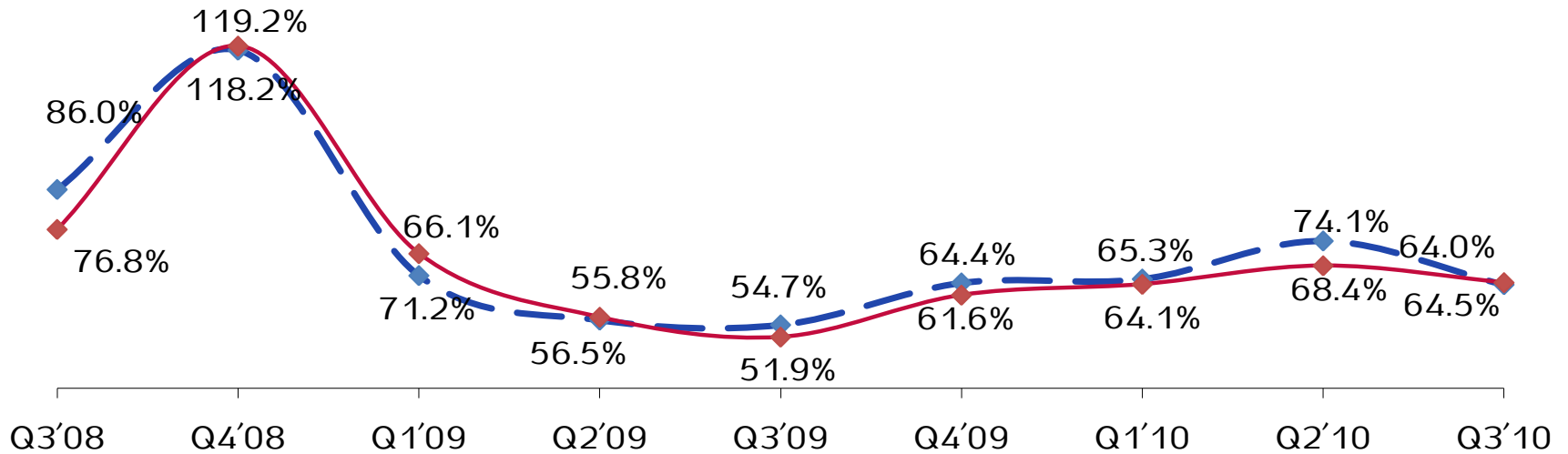
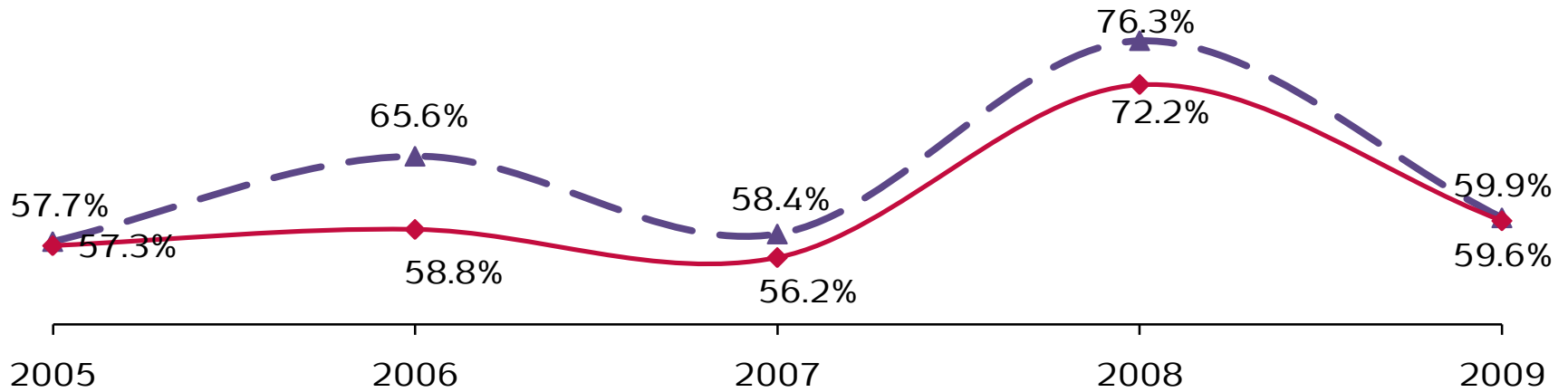


... in salary and related expenses

NIS millions

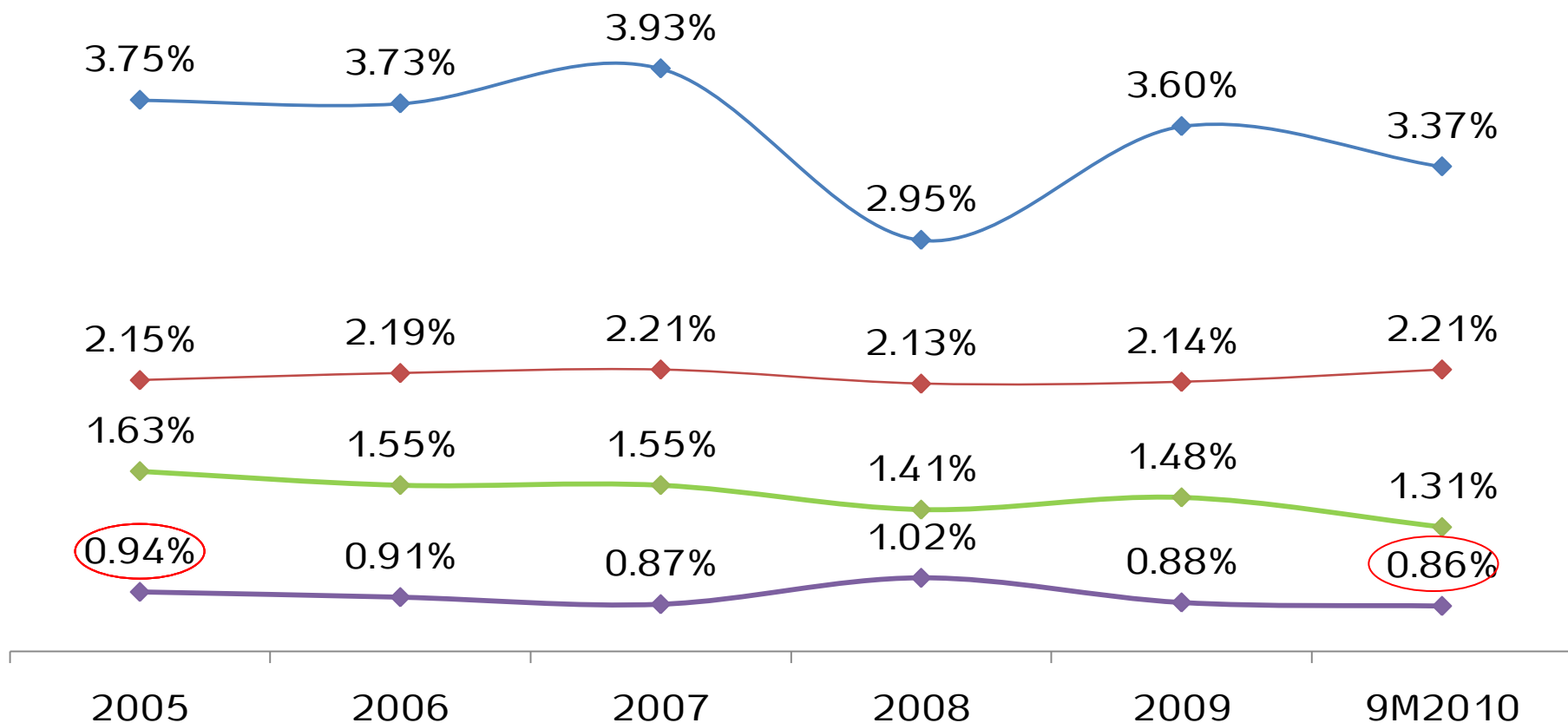


Cost/Income ratio



— Cost/Income Ratio — Adjusted for special salary expenses

Income and expenses to total assets and to total assets under management are stable



—◆— 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

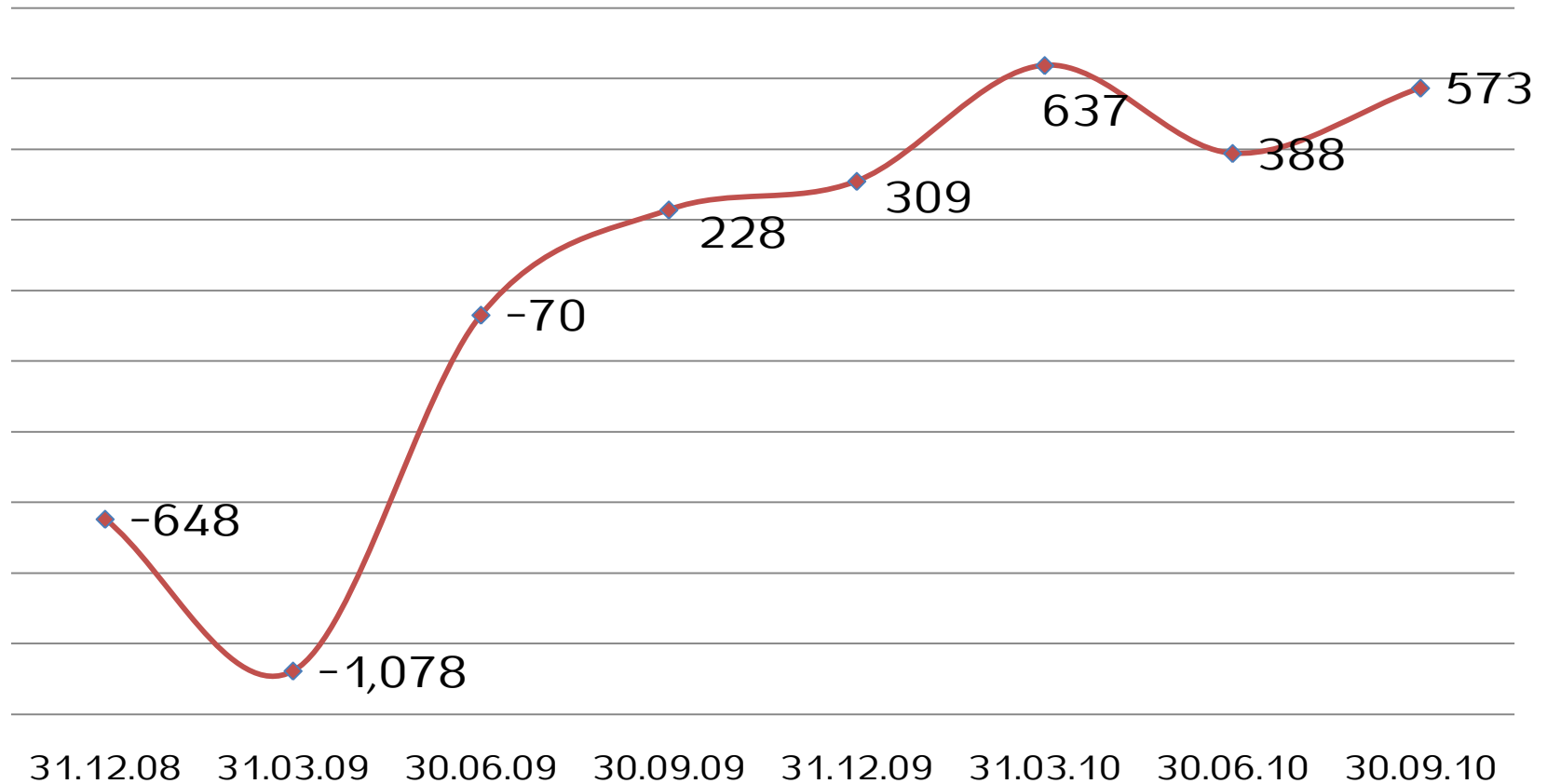
NIS millions

Net operating profit*	9M 2010	9M 2009	Δ%	Contribution to profit %
Households	158	193	(18.1)	8.9
Small businesses	197	153	28.8	11.0
Corporate banking	862	666	29.4	48.3
Commercial banking	263	259	1.5	14.8
Private banking	71	97	(26.8)	4.0
Financial management –capital markets and others	232	16	+	13.0
Total	1,783	1,384	28.8	100

**adjusted for special salary expenses*

A sharp increase in the value of bonds

Other Comprehensive Income*



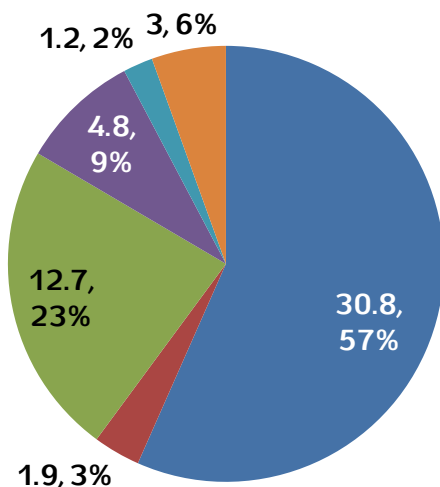
* Net balances in shareholders' equity (net adjustments in respect of available-for-sale securities)

Low risk: 70% of nostro investments are with governments and central banks

30 Sept. 2010, NIS billions, %

**NIS 54.4 billion securities portfolio
by asset class**

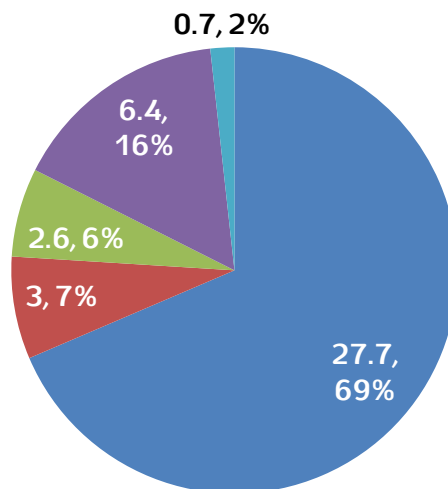
60% Governments



- Israeli Government Bonds
- Foreign Governments
- Bonds of Foreign Banks, FIs, Companies
- MBS/ABS
- Corporate Bonds in Israel
- Shares and Funds

**NIS 40.4 billion deposits
with banks**

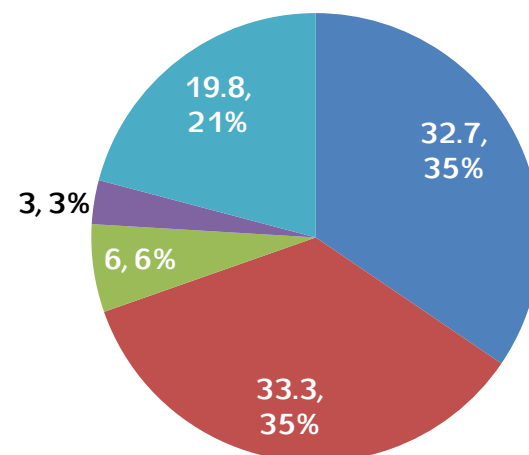
82% Central Banks & Cash



- Bank of Israel
- Central Banks
- Cash
- Banks and FIs
- Banks in Israel

**NIS 94.8 billion nostro portfolio
by counterparty**

70% Gov'ts & Central Banks



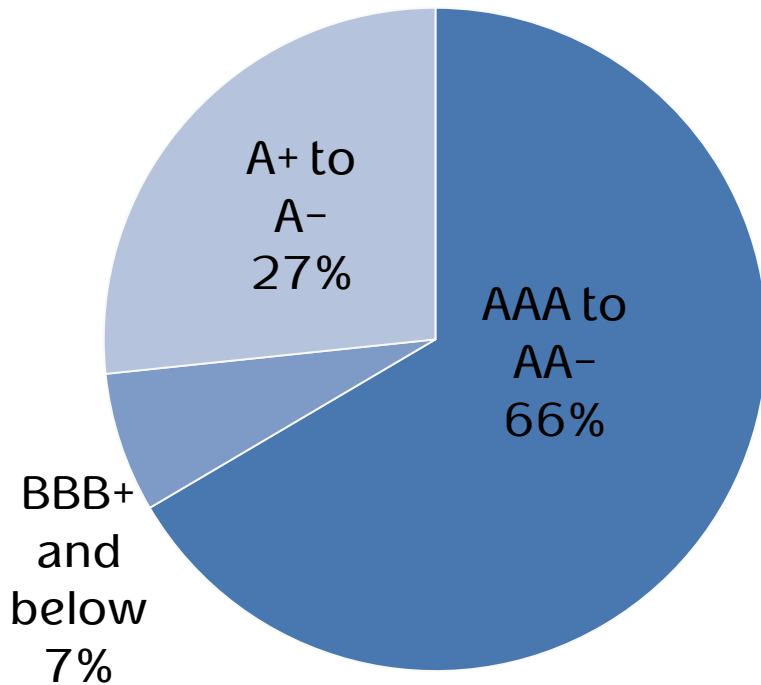
- Governments
- Central Banks & Cash
- MBS/ABS and Other Bonds
- Shares and Funds
- Comm'l Banks and FIs

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

30 September 2010, NIS billions, % of total

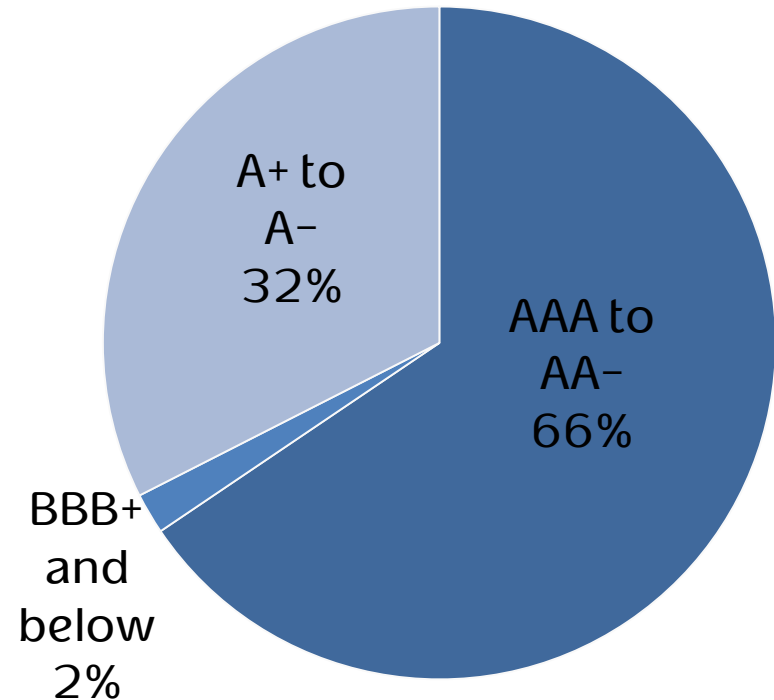
Total exposure to foreign financial institutions*

Total = 23



Exposure to securities of foreign financial institutions

Total = 11.4

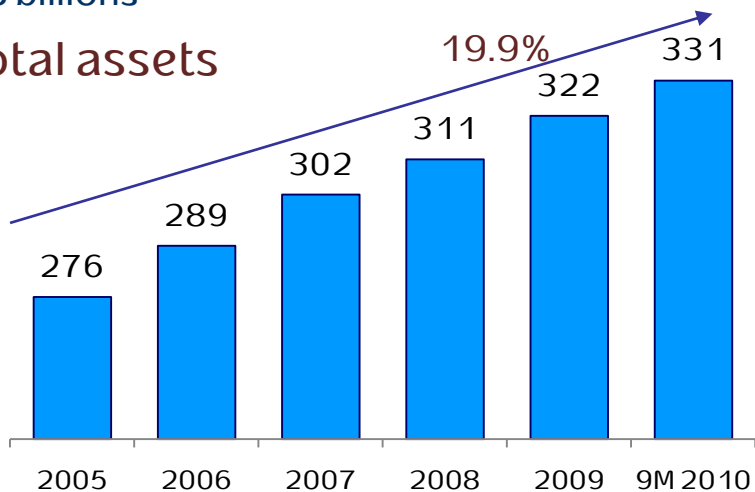


* Includes on and off -balance sheet risk

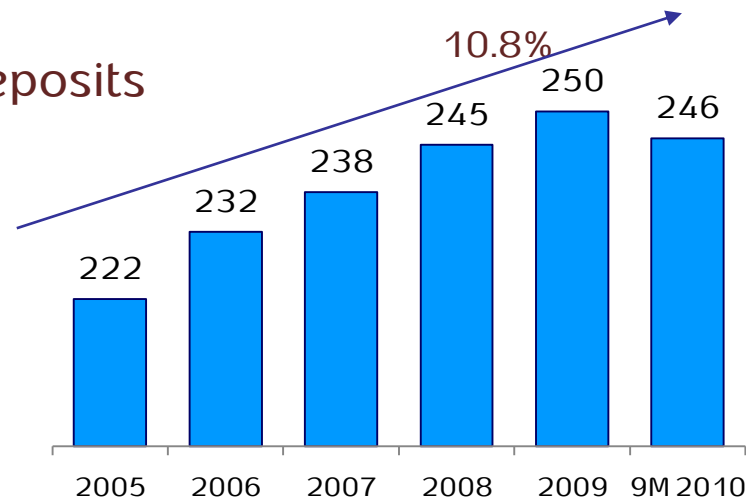
Well-defined strategy and consistent focus support growth trends

NIS billions

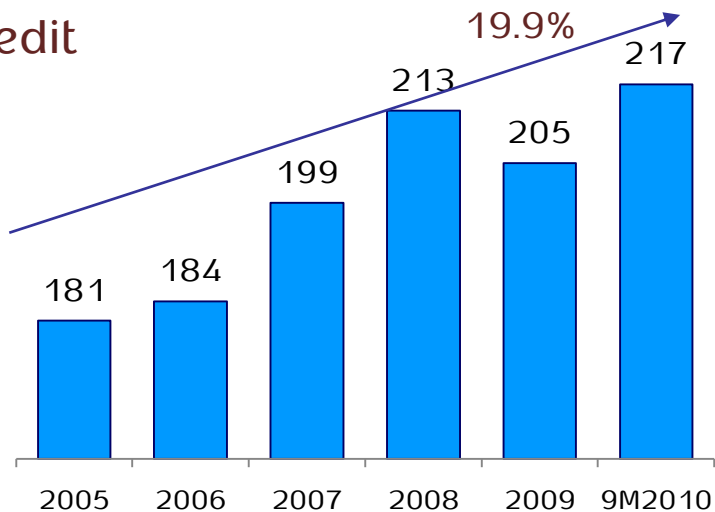
Total assets



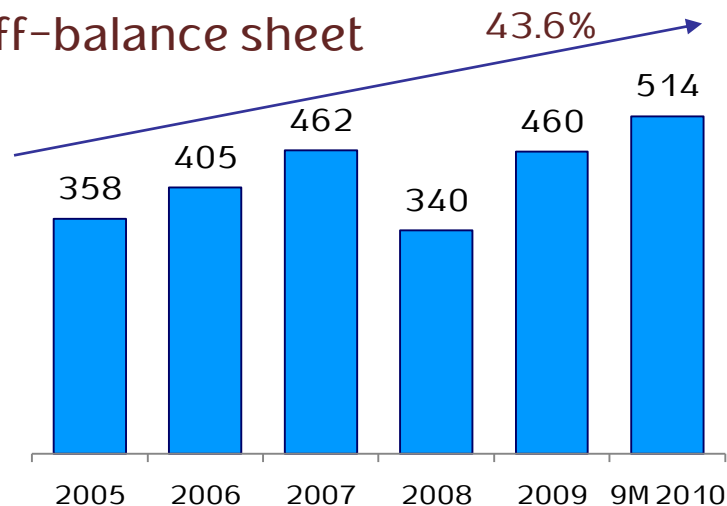
Deposits



Credit

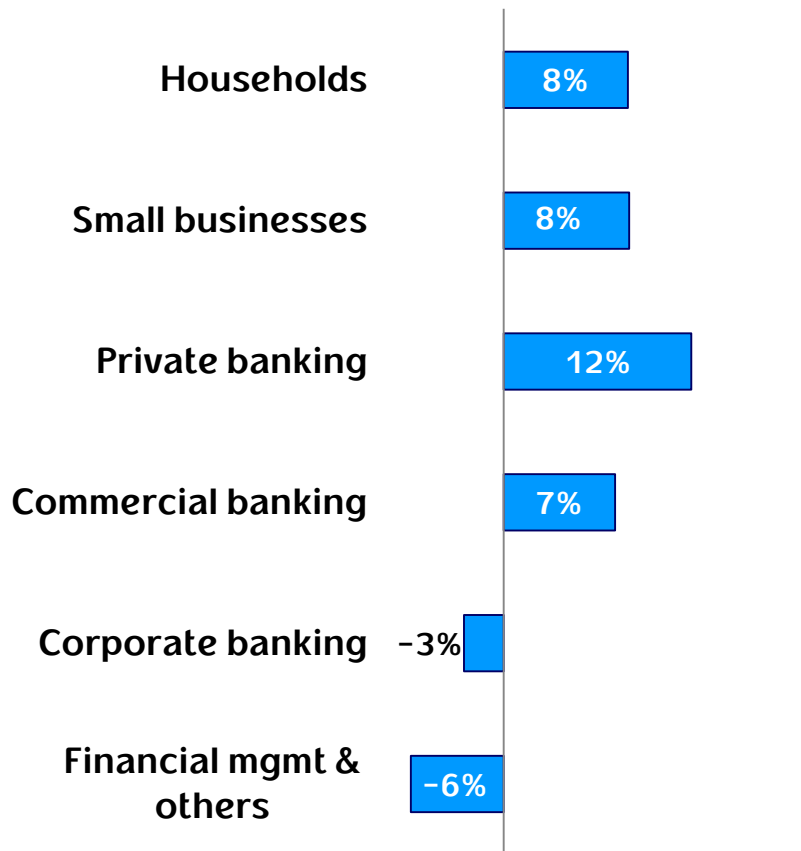


Off-balance sheet

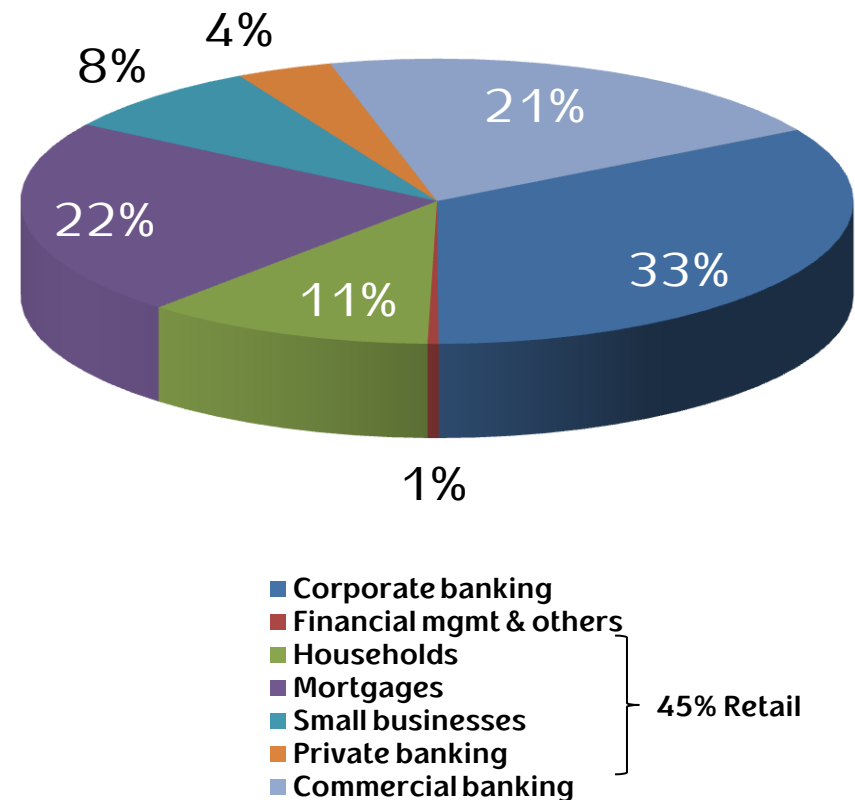


Diversified credit portfolio with focus on higher RoE segments

Growth of loan portfolio by segment
2005–9M 2010, CAGR (%)



Composition of loan portfolio by segment 9M 2010, %



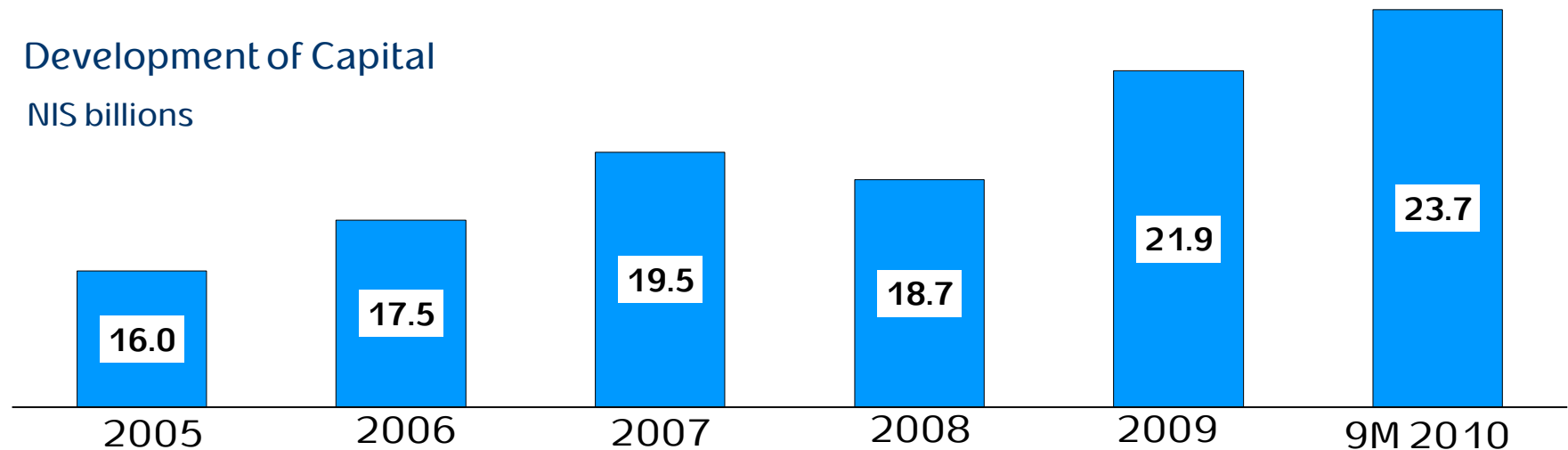
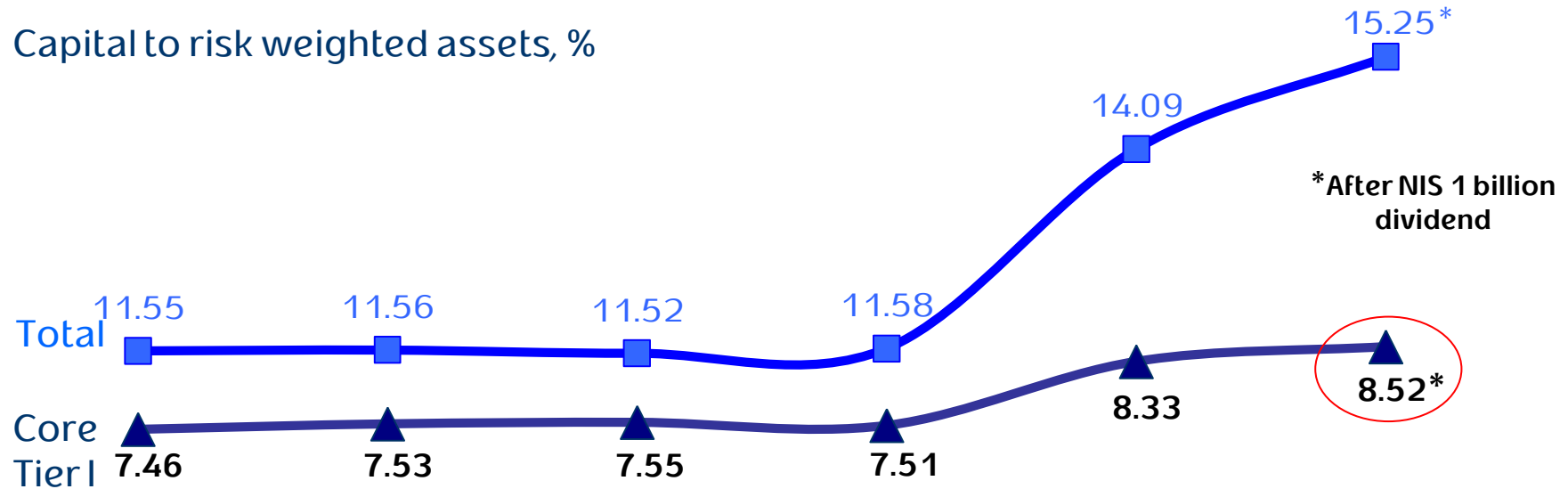
Retail includes households and mortgages, small businesses, and private banking

Development of credit according to segments

NIS millions

Segment	30/09/2010	31/12/2009	Δ%
Households	24,490	22,461	9.0
Mortgages	48,670	44,428	9.5
Small businesses	17,554	17,653	(0.6)
Private banking	8,120	6,439	26.1
Total retail	98,834	90,981	8.6
Commercial banking	45,192	43,516	3.9
Corporate banking	72,275	69,089	4.6
Financial management, capital markets and others	917	1,083	(15.3)
Total corporate	118,384	113,688	4.1
Total	217,218	204,669	6.1

Strongest capital position in the Israeli banking system



From 2009 as per Basel II

Consistent and sustainable performance over the long-term

Dividend

- NIS 1 billion

Solid capital base

- CAR: 15.25%; Core Tier 1: 8.52%

Liquid balance sheet

- Credit / Deposits : 88%

'Plain vanilla' balance sheet

- Credit / Total Assets: 66%
- Deposits / Total Assets: 74%
- Capital / Total Assets: 7.2%

Credit quality

- NPL / Total Credit: 0.7%

Low risk, high value

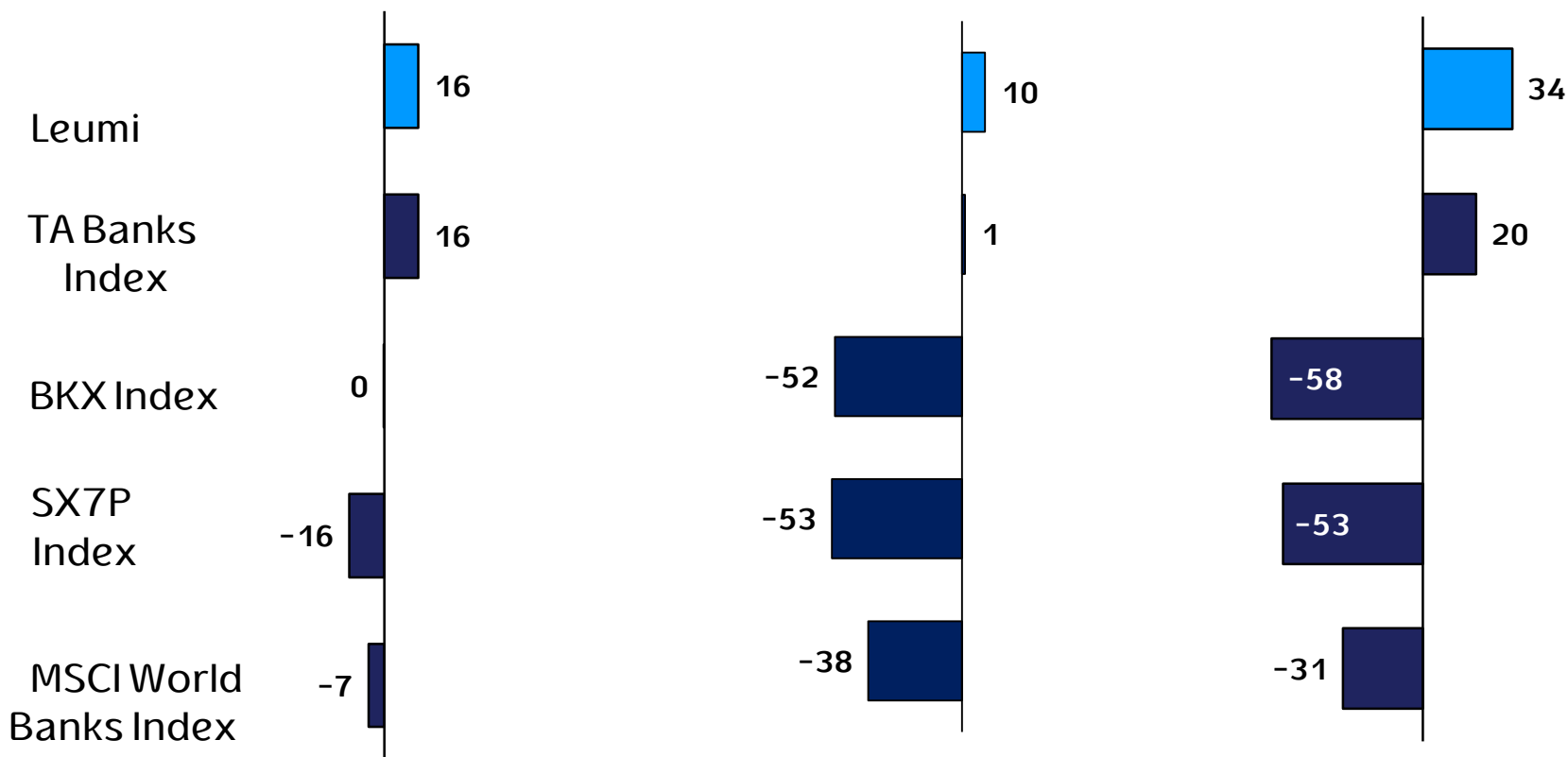
as at 23/11/2010 ,%

Shareholders' Returns*

1 year

3 years


5 years



* Stock appreciation & dividends; BKX Index: 24 stocks representing national American money center banks & leading regional institutions; SX7P Index: 600 European Bank Index

The Leumi Group in perspective at September 30, 2010

in billions

9M 2010	 leumi	Compared to Israeli peers *
Total Assets	NIS 331	1
Total Deposits	NIS 246	1
Total Credit	NIS 217	2
Net Profit	NIS 1.86	1
Return on Equity	11.0%	2
Total Capital Ratio	15.25%	1
Core Tier I Capital	8.52%	1
Shareholders' Equity	\$6.5	1
Market Cap **	\$7.1	1

* Bank Hapoalim, Israel Discount Bank, Mizrahi Tefahot, First International Bank of Israel; ** As at 23/11/2010

Thank You

Wherever you wish to go, Leumi is with you

