

Leumi Group – 2007 Results Discussion

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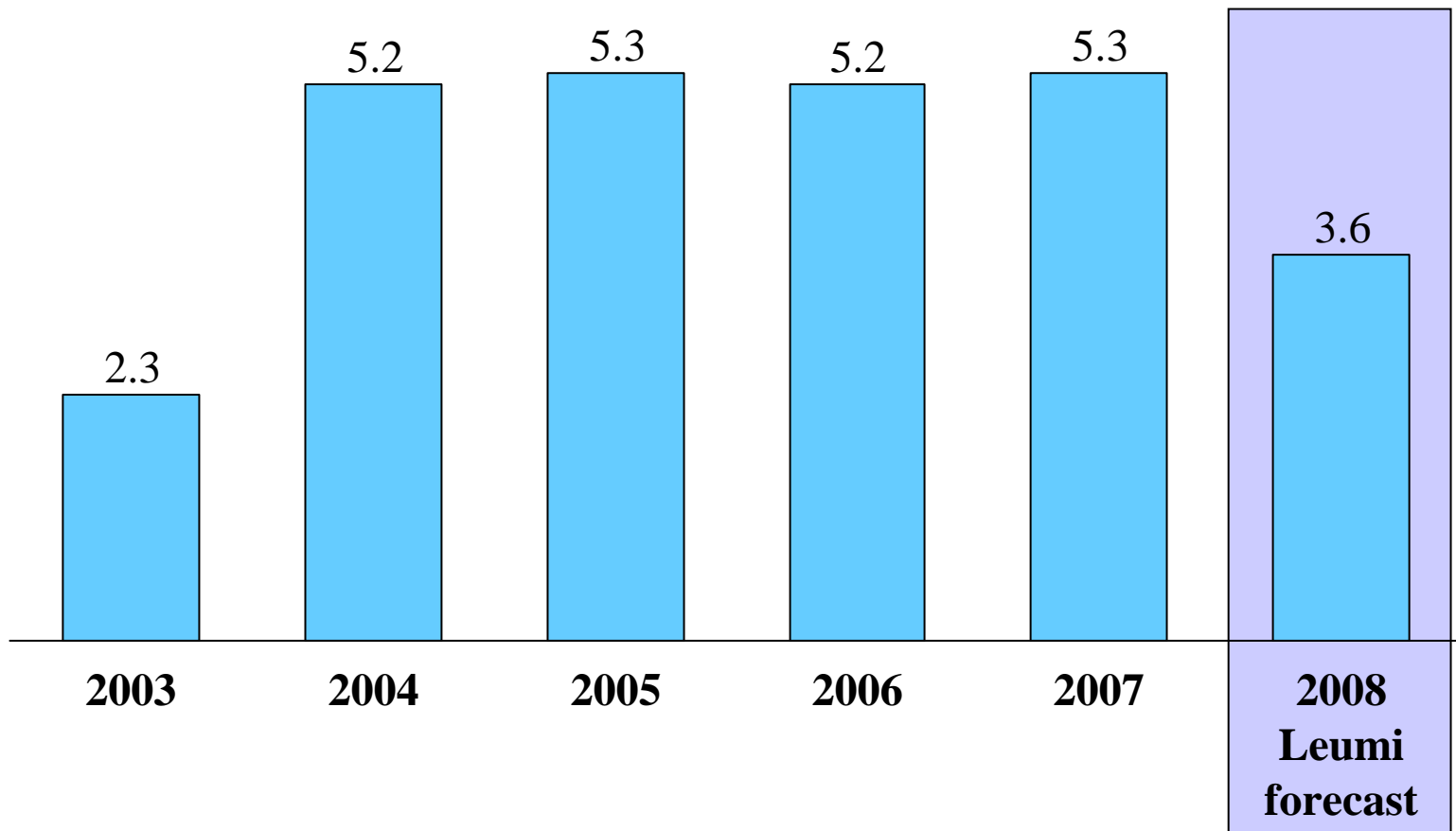
Agenda

- **Notes on the Israeli Economy**

- Analysis of 2007 Results
- Review of Exposure to Credit Crisis
- Conclusion

Israel's rate of GDP growth

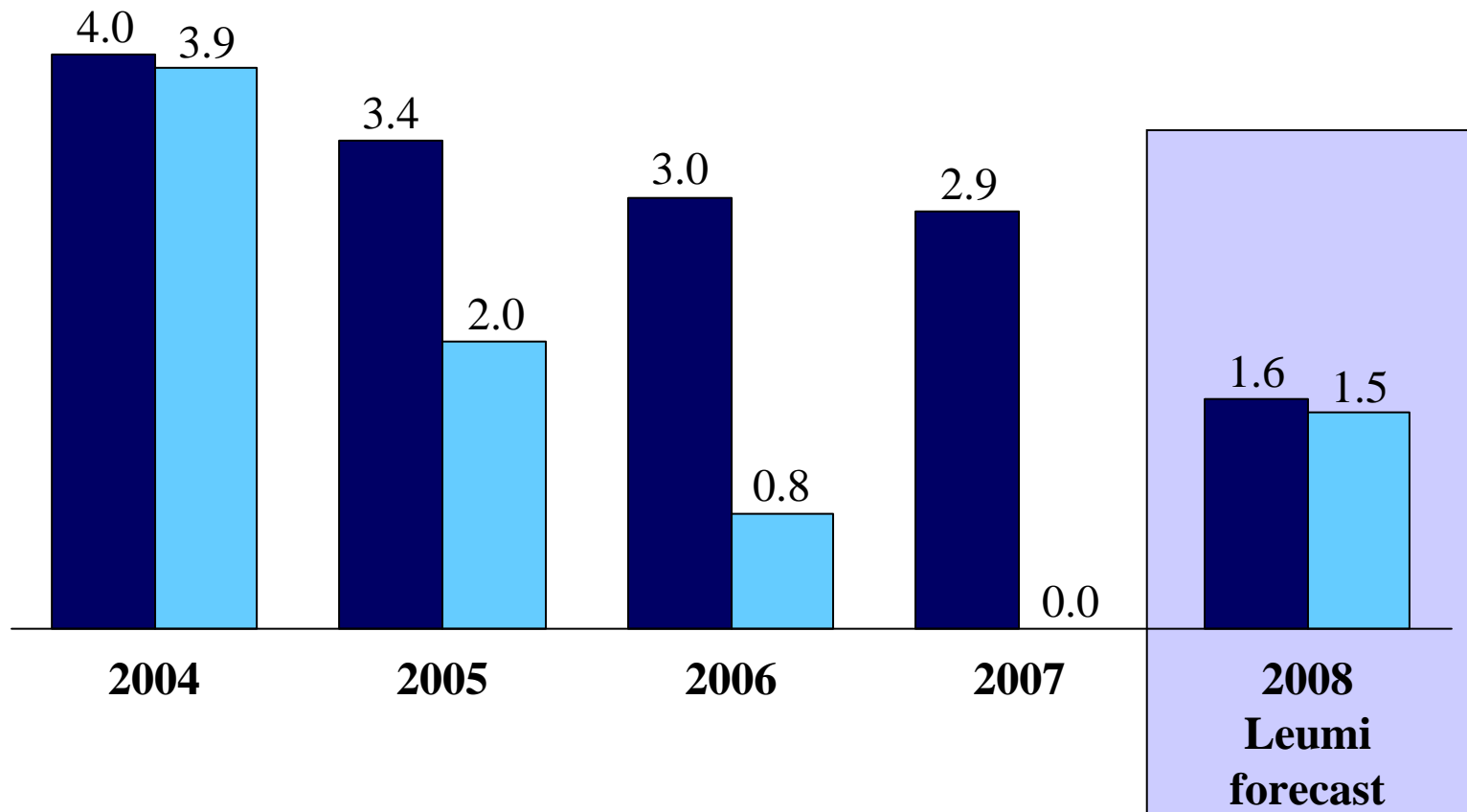
Percent



Israel's budget deficit

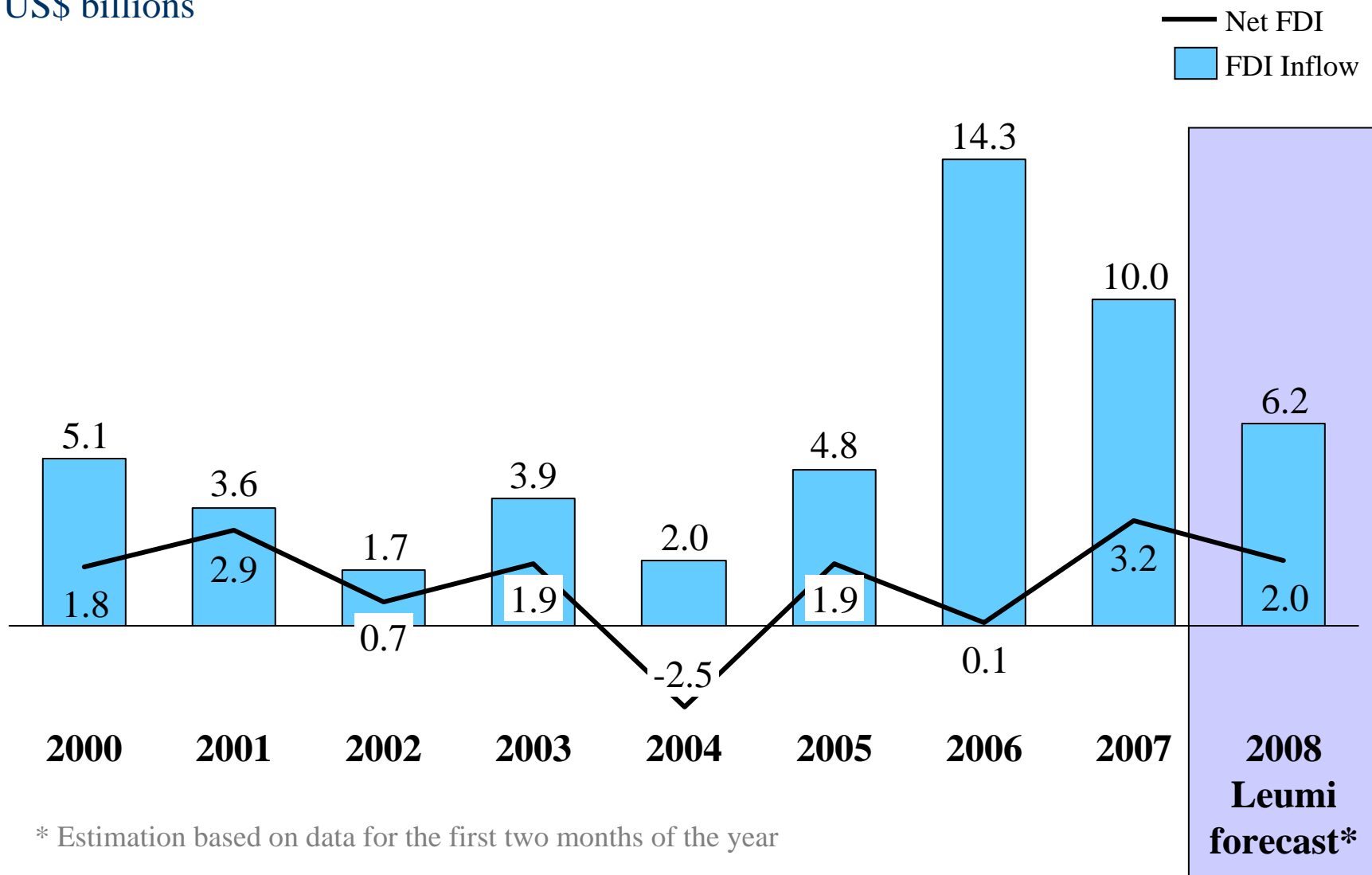
Percent of GDP

Target
Actual



Foreign direct investment in Israel

US\$ billions



* Estimation based on data for the first two months of the year

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- Notes on the Israeli Economy

- **Analysis of 2007 Results**

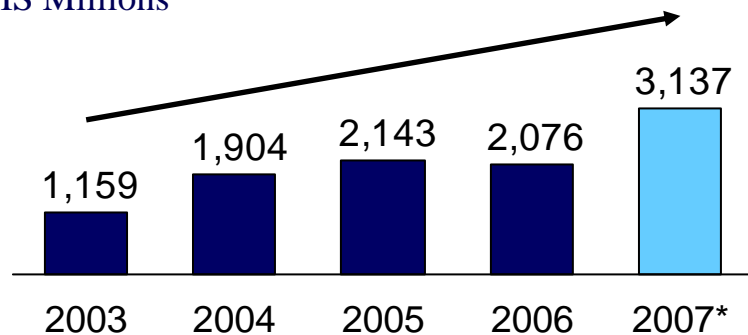
- Review of Exposure to Credit Crisis

- Conclusion

2007 record results –Part of a continuum

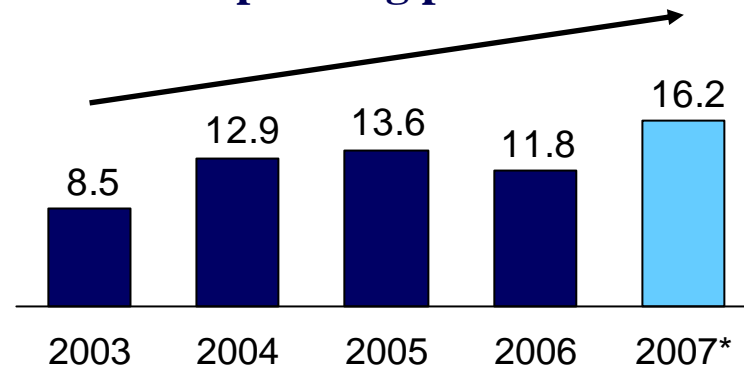
Net operating profit

NIS Millions



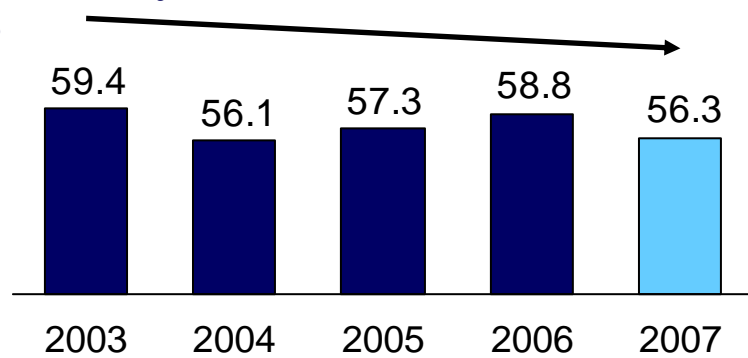
RoE on net operating profit

%



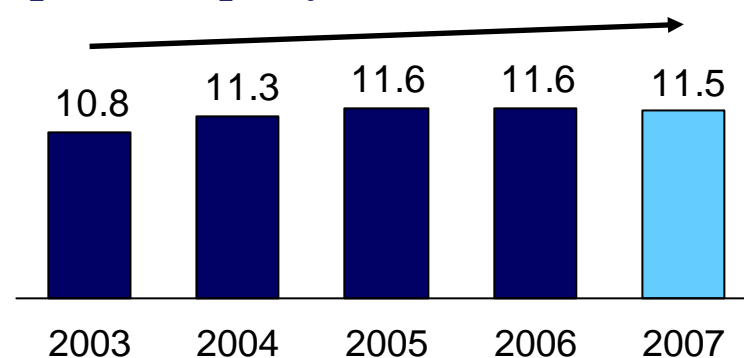
Efficiency ratio*

%



Capital adequacy ratio

%



*Adjusted for special salary expenses

Net profit analysis

NIS millions

	2007	2006	% change	ROE*
Net profit	3,357	3,534	(5.0%)	17.4%
Net profit adjusted**	<i>3,510</i>	<i>4,156</i>	<i>(15.5%)</i>	<i>18.2%</i>
Net operating profit	2,984	1,454	105.2%	15.4%
Net operating profit adjusted**	<i>3,137</i>	<i>2,076</i>	<i>51.1%</i>	<i>16.2%</i>

Includes NIS 348 million from the final sale of capital markets companies.

Includes NIS 250 million special salary expenses -153 million net

Includes NIS 2.1 billion profit from the sale of Africa-Israel, 10% from Migdal and capital market companies

Includes NIS 917 million special salary expenses – NIS 622 million net

* Based on average capital

** Adjusted for special salary expenses

P&L highlights

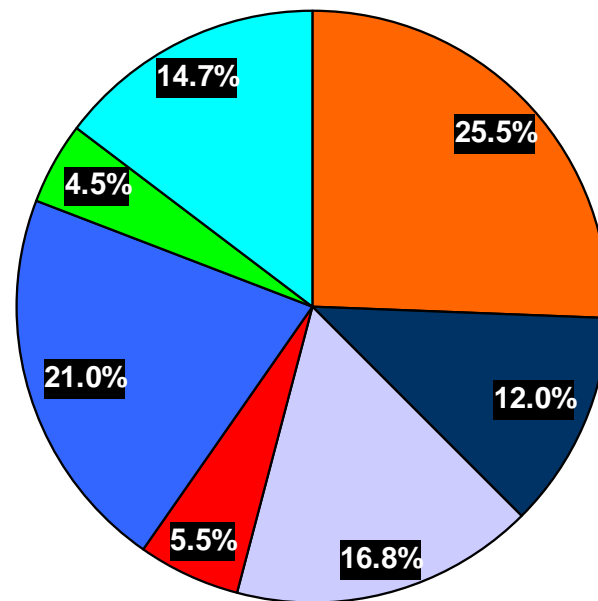
NIS millions

	2007	2006	% change
Net interest income before provision	7,648	6,922	10.5%
Provision for doubtful debts	407	933	(56.4%)
Total operating and other income	4,222	3,881	8.8%
Total operating and other expenses	6,937	7,267	(4.5%)
- after adjustments	6,687	6,350	5.3%
Companies included on the equity basis	184	171	7.6%
Net operating profit for the period	2,984	1,454	105.2%
Net operating profit after adjustments	3,137	2,076	51.1%

Net Operating Profit* by segment

NIS millions

	2007	2006	% change	2007 percentages
Corporate banking	799	592	35.1%	25.5%
Construction and real estate	378	225	68.2%	12.0%
Commercial banking	527	419	25.6%	16.8%
Small business banking	172	163	5.8%	5.5%
Household banking	660	378	74.5%	21.0%
Private banking	142	104	36.5%	4.5%
Financial management & others	459	195	+	14.7%
Total	3,137	2,076	51.1%	



* Adjusted for special salary expenses

Net Operating Profit* by profit center

NIS millions

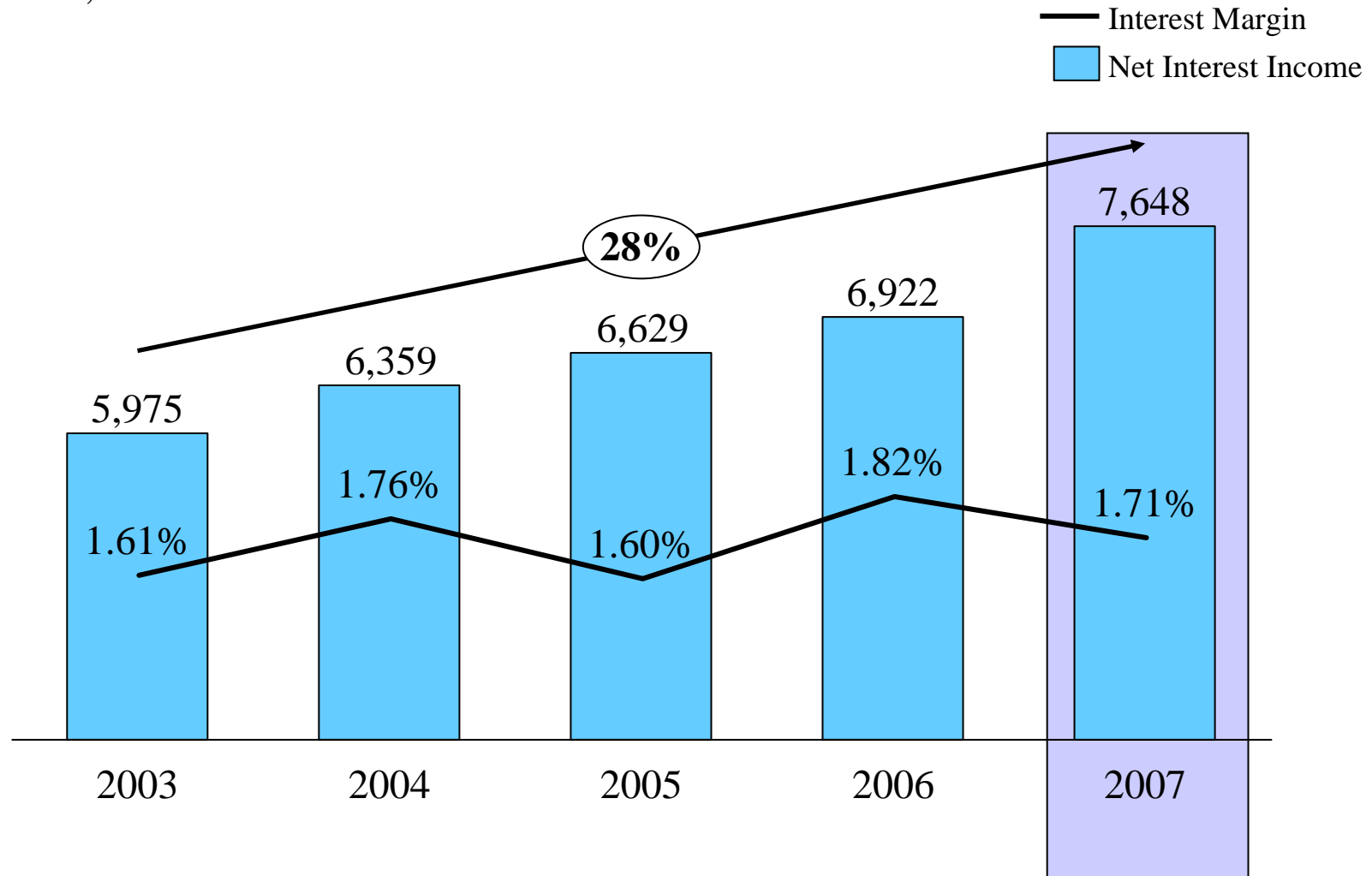
	2006	2007	% change
The Bank **	1,362	2,079	52.6
Consolidated companies in Israel	386	654	69.4
Overseas consolidated companies **	157	220	40.1
Non-banking companies	171	184	7.6
Net operating profit	2,076	3,137	51.1
Overseas units in US\$ millions	67	84	25.4

* Adjusted for special salary expenses

** on neutralizing the effect of net exchange rate differentials in respect of financing overseas investments

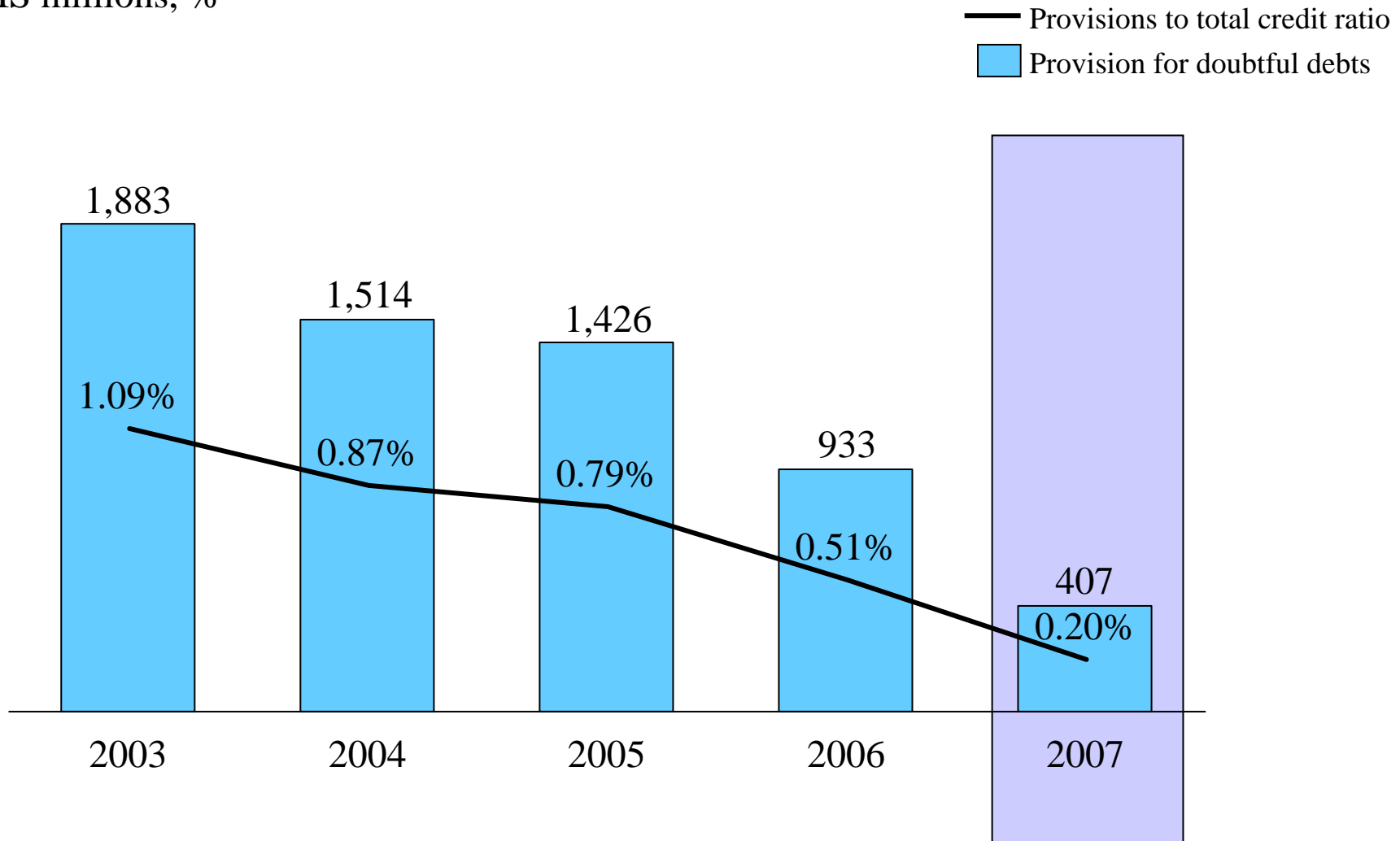
Trends in net interest income & interest margin

NIS millions, %



Provisions for doubtful debts

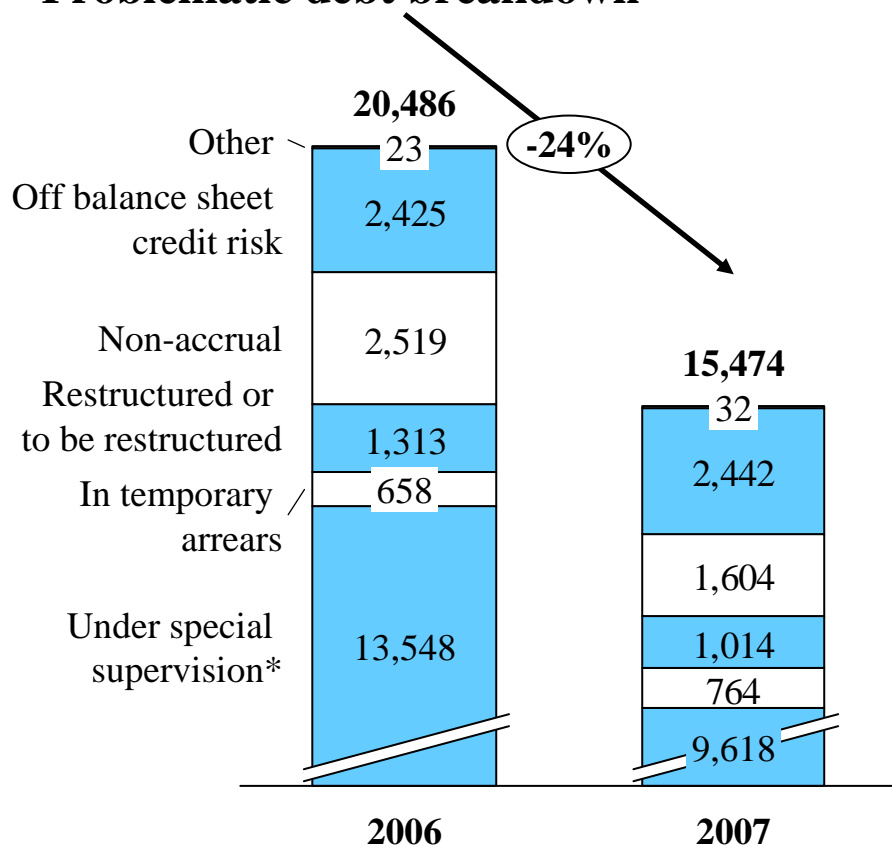
NIS millions, %



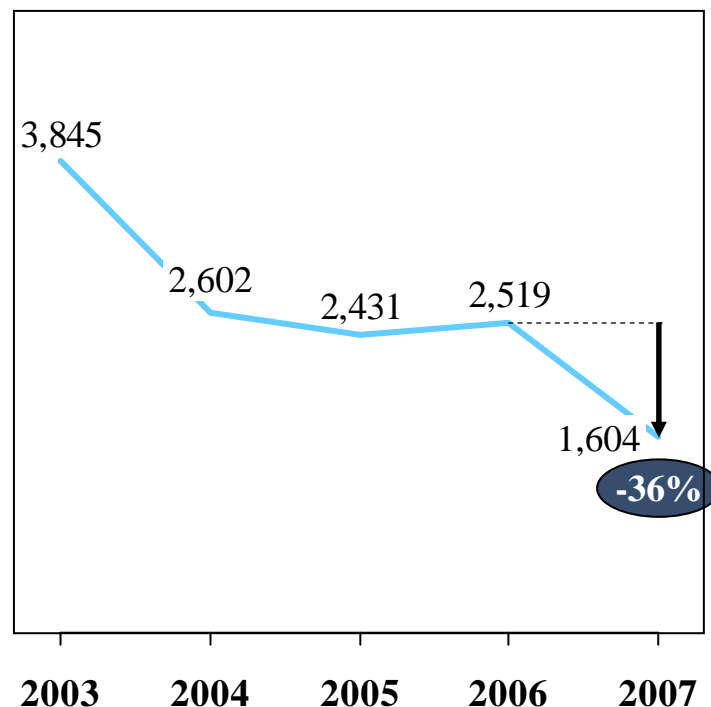
Problematic debts

NIS millions

Problematic debt breakdown



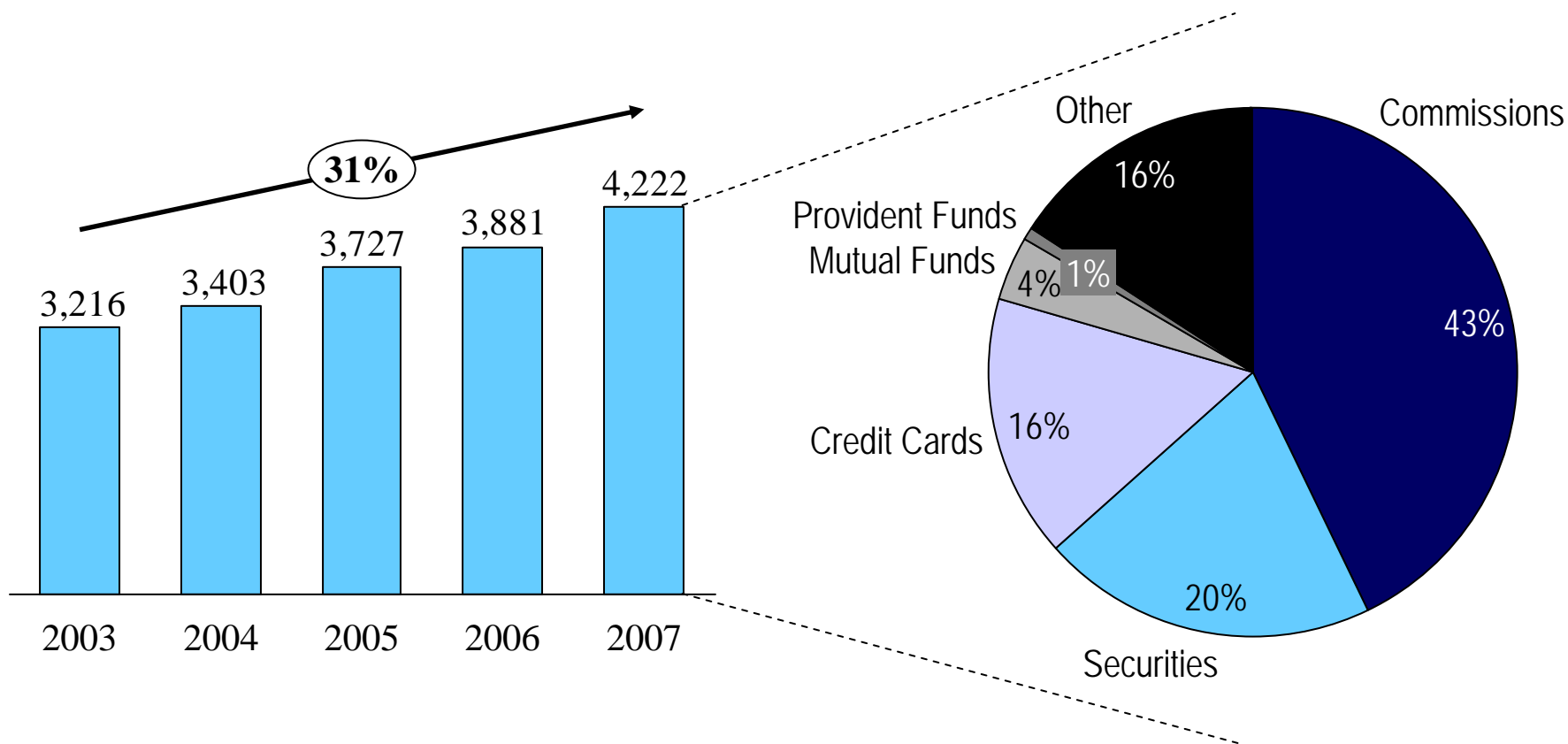
Development of non-accruals



* Including classified debts according to Directive 325 in the amount of NIS 1,775 million (NIS 3,460 million in 2006)

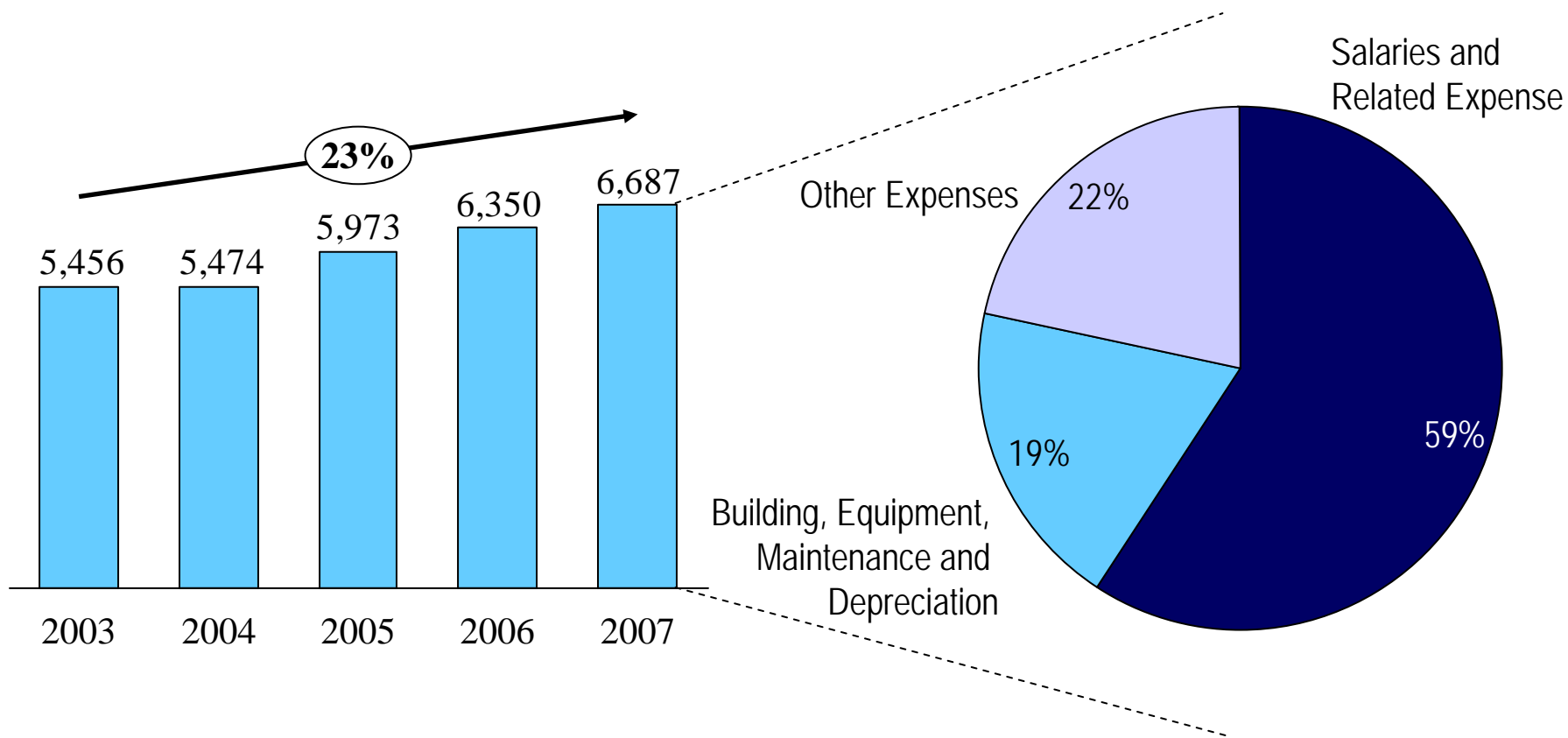
Operating Income

NIS millions, % of total



Operating Expenses*

NIS millions, % of total

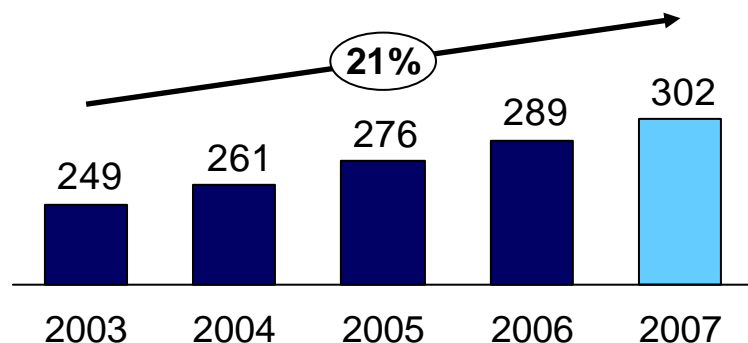


* Adjusted for special salary expenses

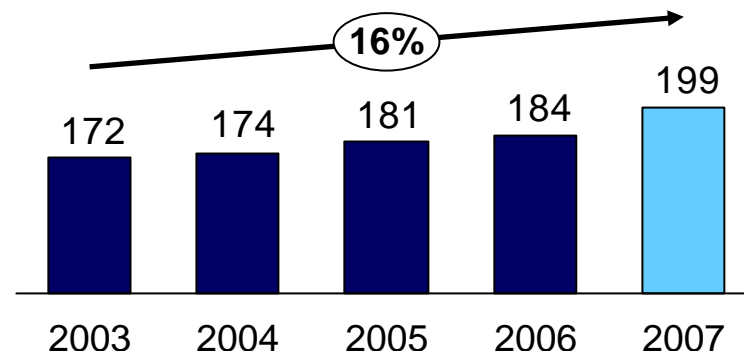
Balance sheet and off-balance sheet growth

NIS billions

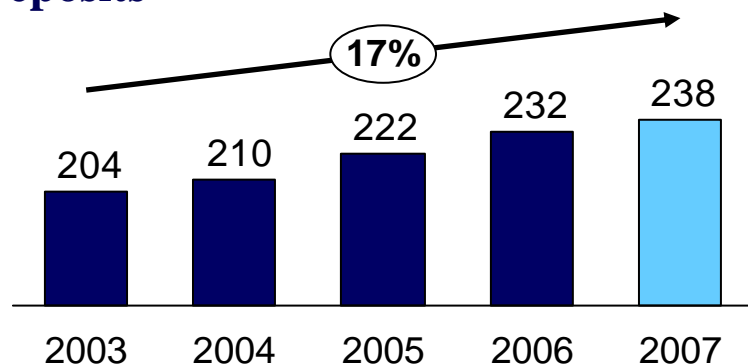
Total assets



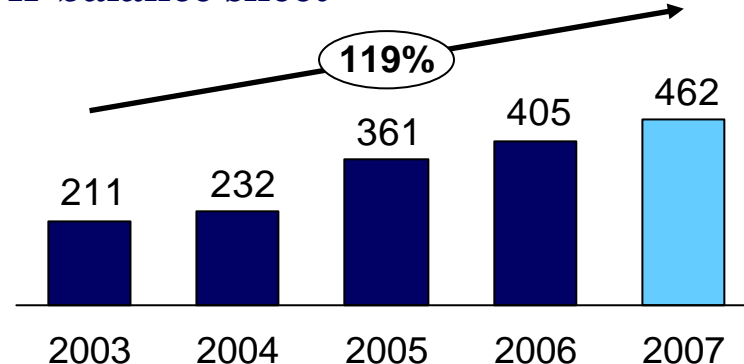
Loans



Deposits



Off-balance sheet



Changing sector emphasis in credit growth

NIS millions

	31/12/07	31/12/06	% change
Households	20,680	18,335	12.8%
Mortgages	36,590	33,373	9.6%
Small businesses	17,502	13,936	25.6%
Commercial banking	42,290	38,367	10.2%
Corporate banking	51,636	51,478	0.3%
Construction and real estate	23,470	22,501	4.3%
Private banking	5,155	4,417	16.7%

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Analysis of available for sale Asset-Backed Securities portfolio

USD millions, 31 Dec 2007

	Unrealized net losses from adjustments to fair value	Amount in Balance Sheet (fair value)
Mortgage-Backed Securities	(12)	1,080
Of which:		
Guaranteed or issued by GNMA, FNMA, and FHLMC	(11)	1,042
All other Mortgage-Backed Securities	(1)	38
Asset-Backed Securities	(32)	551
Of which:		
CLO	(15)	319
SCDO	(16)	112
Other ABS	(1)	120
Total MBS + ABS	(44)	1,631

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Conclusion



Record results in 2007 – part of a continuum



Coherent long-term strategy, adaptable to changes in competitive and regulatory environment



Domestic growth strategy focused on high RoE/low consuming capital business segments



International growth strategy focused on leveraging existing global platform



Continuous investment in upgrading HR & IT infrastructure and risk management capabilities