

Leumi Group

2008 Financial Results Discussion

Where ever you wish to go, leumi is with you.



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2008 – A year of financial crisis

Economic downturn

Collapsing and volatile financial markets

Scarcity of liquidity

Bankruptcies and nationalization of global banks

On the backdrop of the crisis, Leumi's strength is demonstrated by:

- Liquid balance sheet
- Strong capital position
- Stable revenues from core banking activities
- Continuous growth of asset base

Net profit in 2008 fell by 97% from 2007, and totaled NIS 92 million

P&L highlights

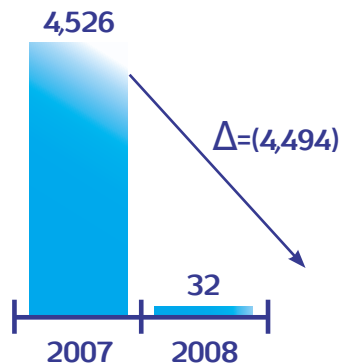
NIS millions

	2008	2007	Difference	% Δ
Net interest income before provision	6,380	7,648	(1,268)	(16.6)
Operating and other income	2,800	4,222	(1,422)	(33.7)
Total Income	9,180	11,870	(2,690)	(22.7)
Provision for doubtful debts	2,145	407	1,738	+
Operating and other expenses	7,003	6,937	66	1.0
Operating profit (loss)	(158)	2,984	(3,142)	-
Net profit	92	3,357	(3,265)	(97.3)

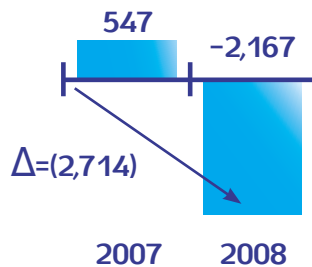
Drop in 2008 profit driven by losses in the nostro portfolio and a surge in provisions

NIS millions

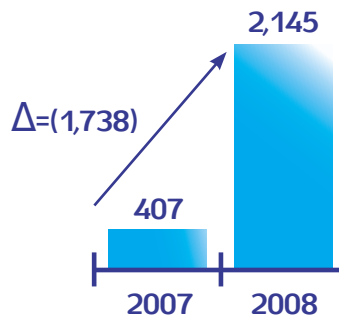
Pre-tax Profit



Profit/loss from nostro portfolio



Provisions for doubtful debts



Losses in nostro, totaled NIS 2.2 billion ~5% of total nostro securities portfolio

Drivers of losses in securities portfolio*

NIS millions

Driver	NIS millions
Investments in foreign banks	(254)
Asset Backed Securities (ABS)	(776)
Funds and Shares	(912)
Corporate Bonds	(298)
Other	73
Total	(2,167)



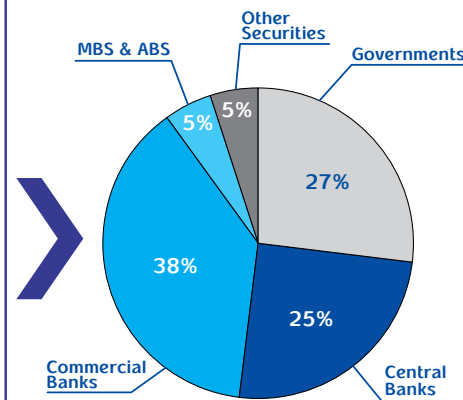
* Provisions for devaluation and realized losses

Over 50% of nostro investments and deposits are with governments and central banks

31 December 2008, NIS billions

Investments in Securities by asset class			Deposits with Banks	
Government Bonds	21.1	47%	Central Banks	17.8
Bonds of Foreign Banks	14.8	33%	{ BOI 13.3 Abroad 4.5	
MBS	3.4	7%	Banks and Financial Institutions abroad	12.1
ABS	1.0	2%	Banks in Israel	1.7
Corporate Bonds in Israel	1.3	3%	Cash	1.5
Total Bonds	41.6	92%	Total	33.1
Shares of Israeli companies *	2.0	5%		
Funds/Shares abroad	1.3	3%		
Total Securities Portfolio	44.9	100%		

Breakdown of nostro by counterparty



Total = NIS 78b

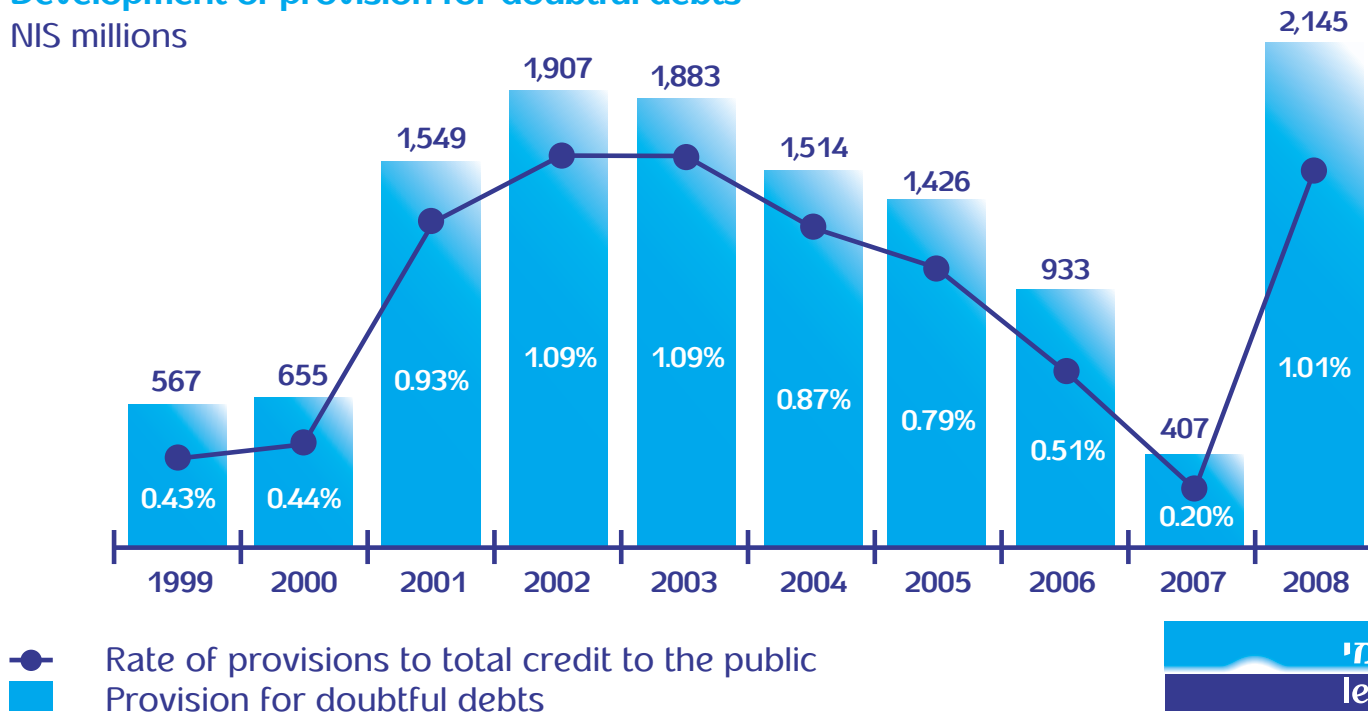


* Principally: Migdal, Bezeq, Hot, Superpharm

Provisions have increased significantly from 2007, and are at a similar level as 2002–2003 recession

Development of provision for doubtful debts

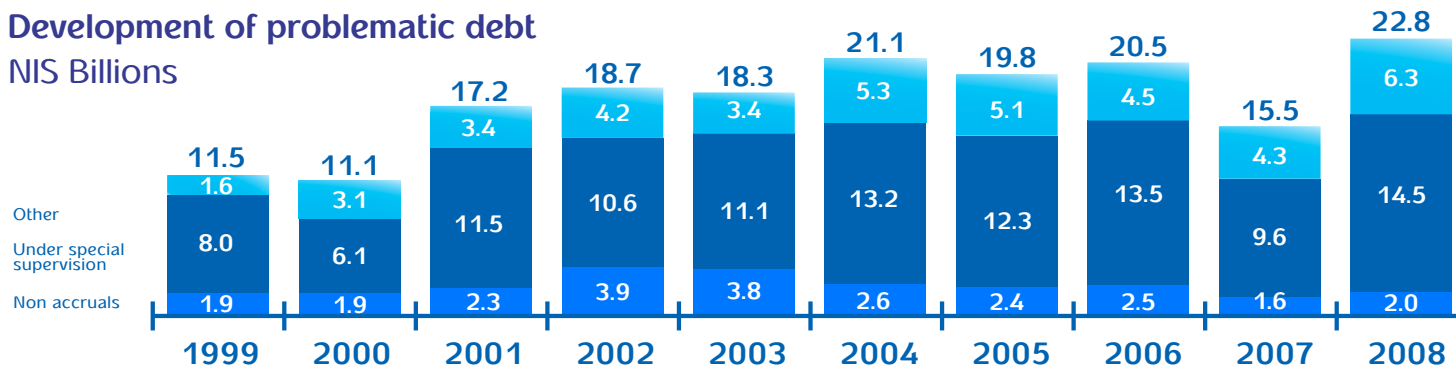
NIS millions



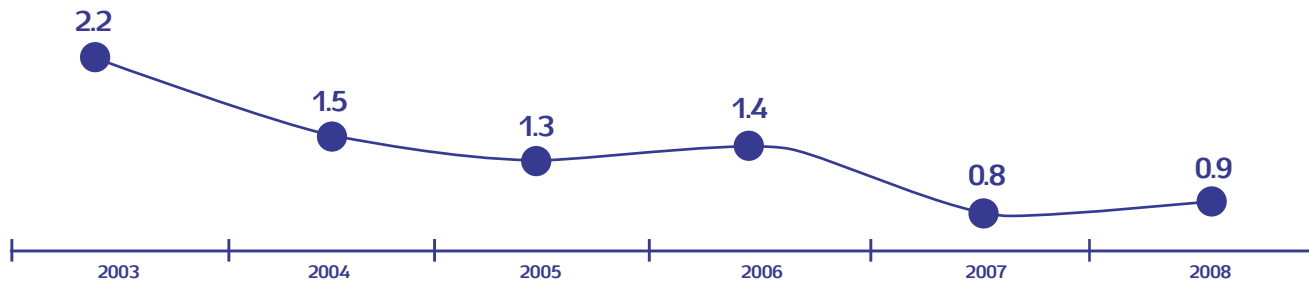
Total problematic debt increased, but level of non-accruals remain well below average of recent years

Development of problematic debt

NIS Billions

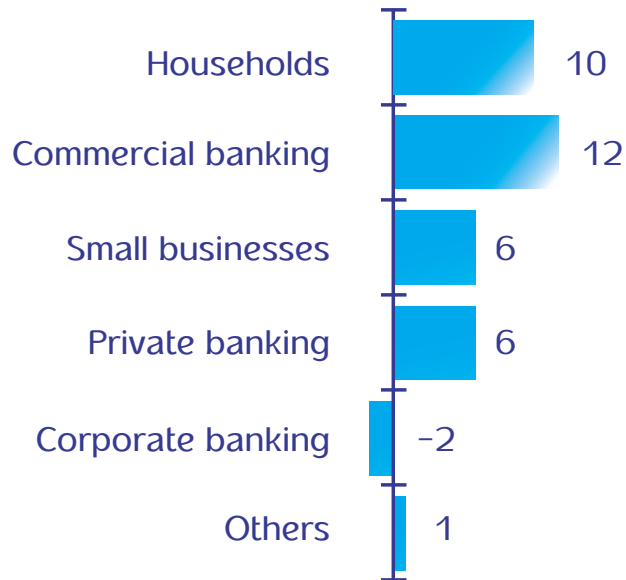


Non-Accrual / Total Loans (%)

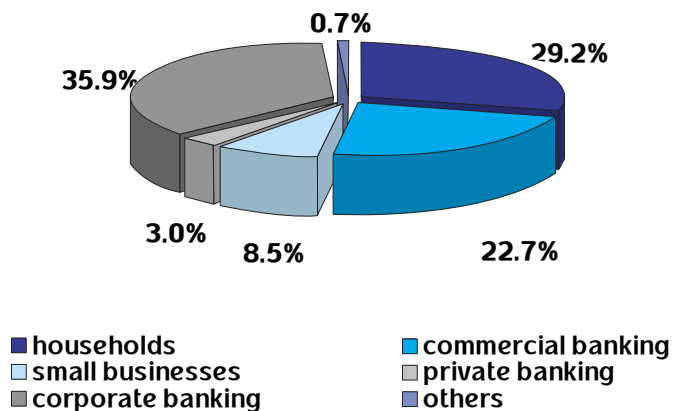


In recent years we have increased the diversification of our credit portfolio and focused on higher RoE segments

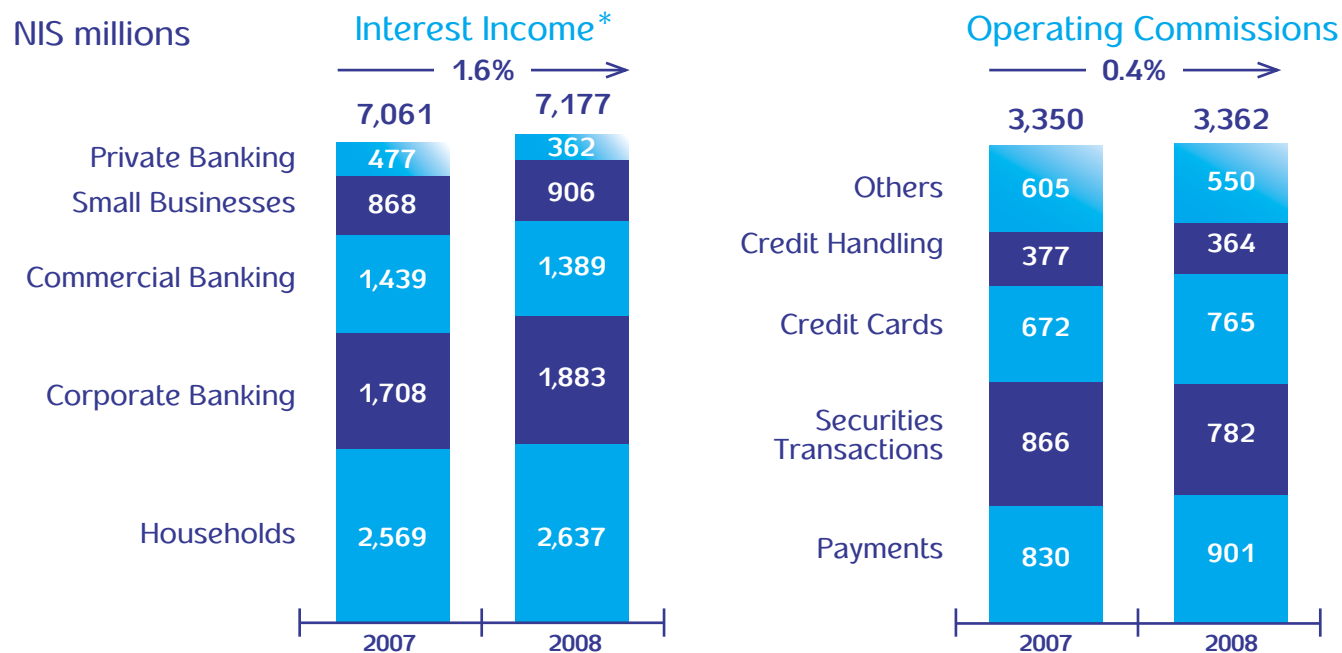
YoY growth of loan portfolio by segment
2003-2008, CAGR (%)



Composition of loan portfolio by
segment 2008, %



Core banking revenues resilient against backdrop of economic downturn

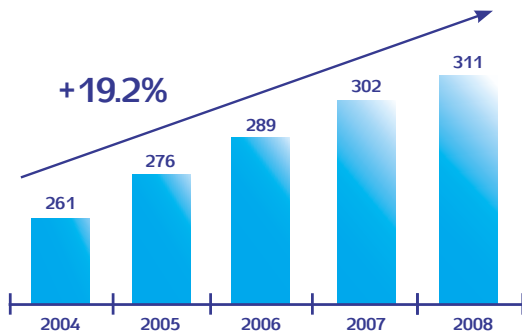


* Excludes profits/losses from financial management activities

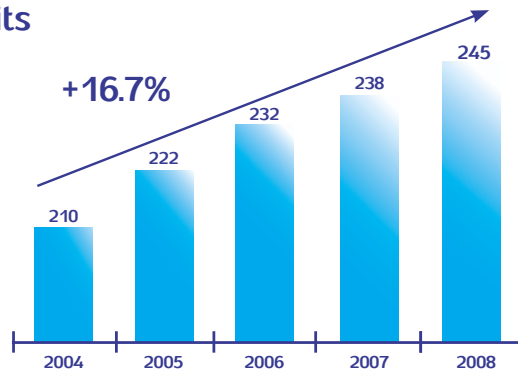
Balance sheet growth continued in 2008

NIS billions

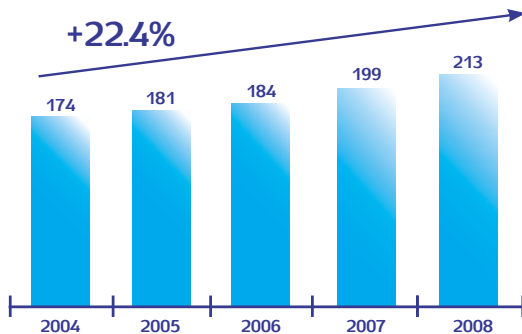
Total assets



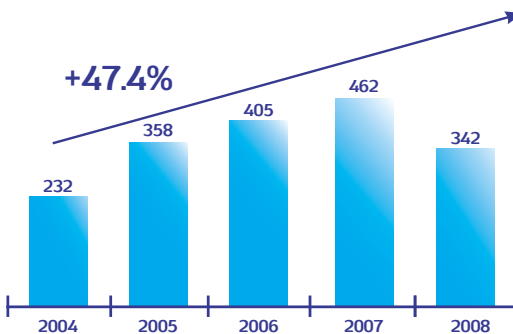
Deposits



Credit

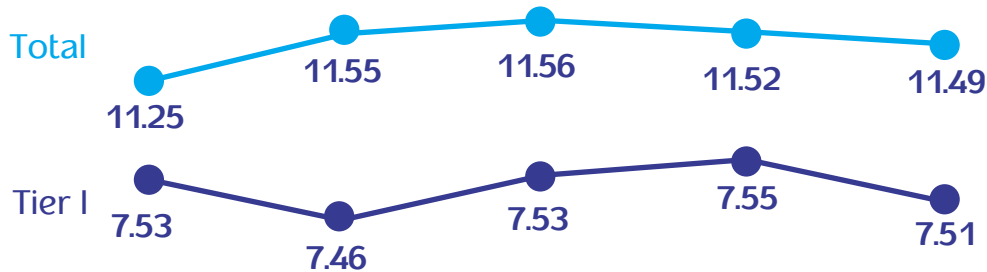


Off-balance sheet

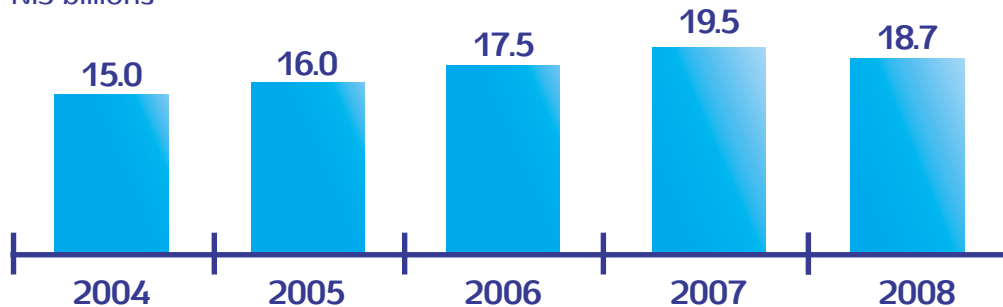


Capital adequacy ratios remain solid, despite 2008 results

Capital to risk weighted assets, %



Development of Capital
NIS billions



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

Solid capital base	<ul style="list-style-type: none">• Capital adequacy ratio 11.49%• Core tier 1 capital 7.51%
Liquid balance sheet	<ul style="list-style-type: none">• Deposits increased by NIS 7b• Loans/deposits ratio 87%
'Plain vanilla' balance sheet	<ul style="list-style-type: none">• Loans: 69% of total assets• Deposits: 79% of total assets
Credit quality	<ul style="list-style-type: none">• NPL: 0.9% of total credit

Strategic priorities unchanged, and fit current environment

Domestic	<ul style="list-style-type: none">• Maintain focus on high RoE/low consuming capital business segments• Continue deployment of pension and financial planning advisory services• Enhance technology and services provided through direct channels, in and outside branch network• Execute programs to increase cost efficiency in retail network and other major cost centers• Continue upgrading of risk management organization, capabilities and processes
International	<ul style="list-style-type: none">• Maintain focus on existing international platform• Exploit synergies between headquarters and international subsidiaries