

Leumi Group

Q1 2012 Earnings Review

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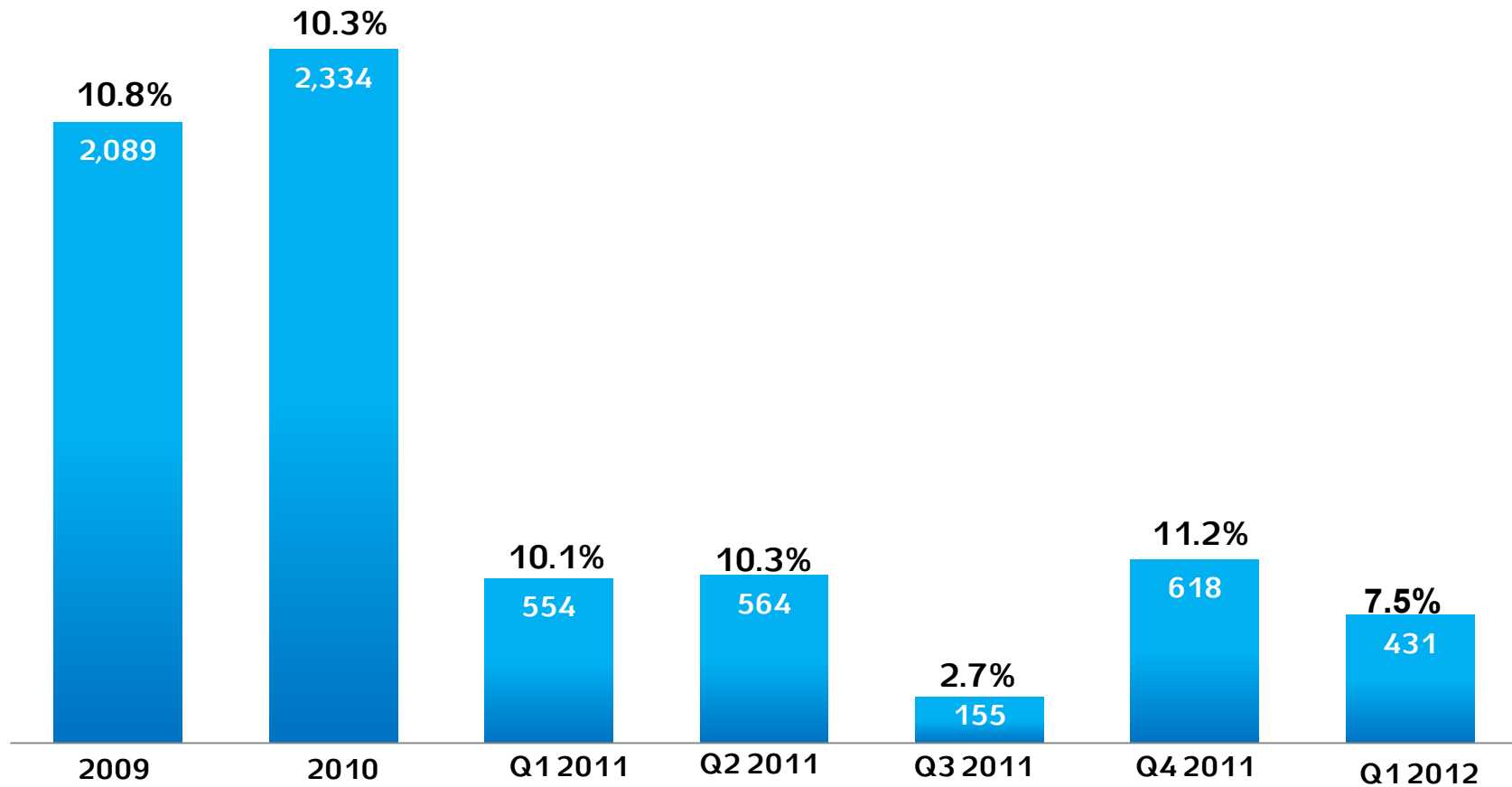
The Israeli economy

Main Macroeconomic Variables	2011	2012*
Annual Rates of Change, Real Terms		
GDP	4.8%	2.8%
Gross product of the business sector	5.3%	2.8%
Percentage of GDP		
Current account surplus(+)/deficit (-)	0.1%	-0.6%
Government budget surplus (+)/deficit (-)	-3.3%	-3.9%
Government debt	73.0%	74.0%
Annual Average		
Unemployment rate (using new data definitions)	6.9%	7.2%
Additional Data		
Consumer price index, year-end change	2.2%	2.9%
Shekel / US\$ average exchange rate	3.58	3.88
Bank of Israel average interest rate	2.9%	2.5%

- 3% GDP forecast continues to outpace that of other developed economies
- Government deficit expected to increase in 2012 due to a shortfall of state tax revenues
- Trend of decline of the debt/GDP is coming to a halt
- The current account of the balance of payments remains balanced
- Other external accounts of Israel are strong and positive
- Rate of unemployment is expected to rise slightly
- Bank of Israel interest rate is expected to remain unchanged
- Inflation remains in 1-3% target

Net Profit and RoE

NIS millions



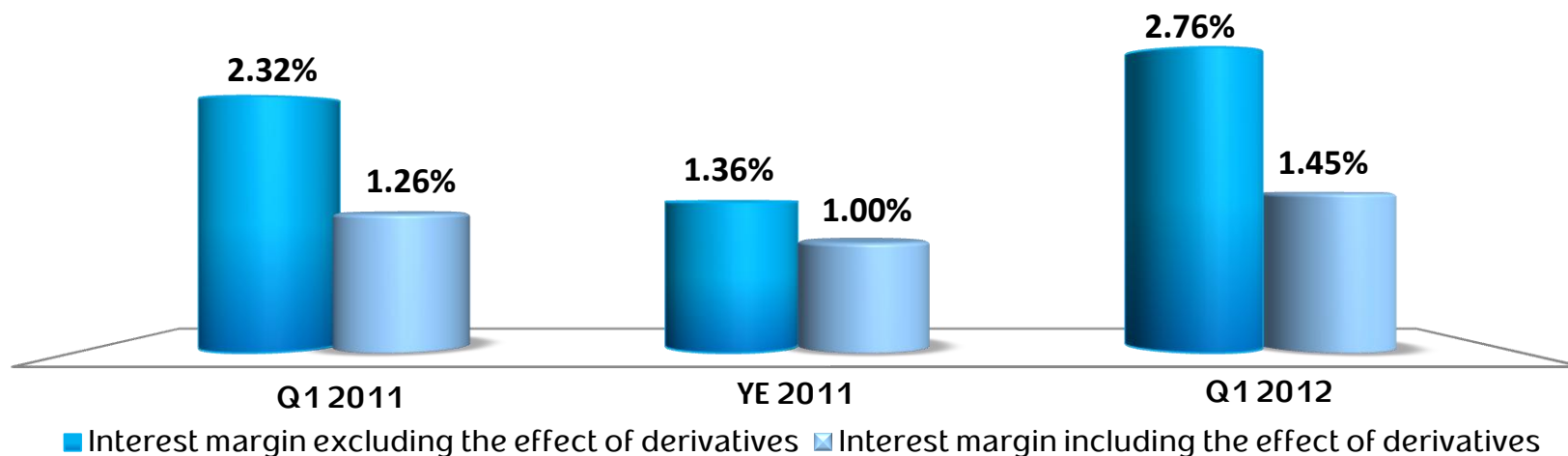
Financial Performance

NIS millions

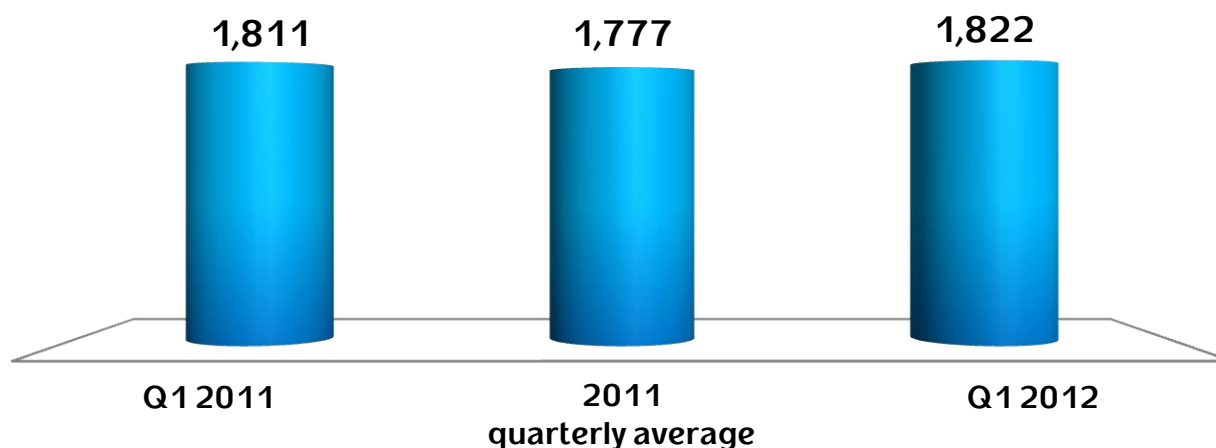
	31.3.2012	31.3.2011	Δ	Δ%
Net Interest income	1,822	1,811	11	0.6
Noninterest income	1,183	1,151	32	2.8
Total Income	3,005	2,962	43	1.5
Provisions for credit losses	225	(102)	327	--
Operating and other expenses	1,995	2,086	(91)	(4.4)
Pre-tax profit	785	978	(193)	(19.7)
Provision for tax	306	372	(66)	(17.7)
Profit after tax	479	606	(127)	(21.0)
Share of bank in associated companies	(39)	(42)	3	(7.1)
Net profit attributable to non-controlling interests	(9)	(10)	1	(10.0)
Net Profit	431	554	(123)	(22.2)

Net interest income and interest margins

Interest margin, accumulated for the period end



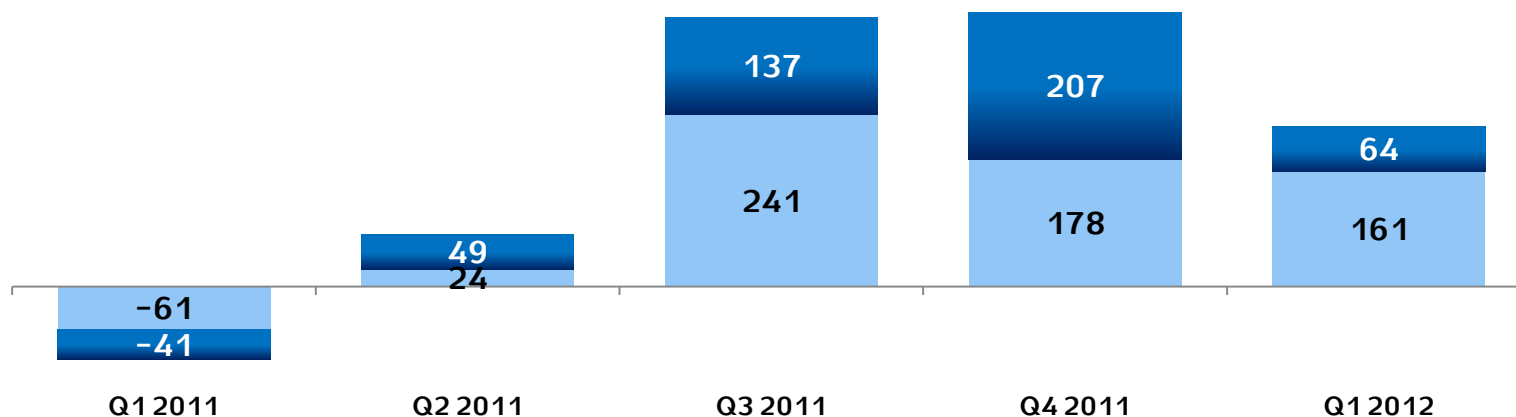
Net interest income, in NIS millions



Expenses for credit losses

NIS millions

■ Individual Expenses ■ Group Expenses



In %	2011					Q1 2012
	Q1	Q2	Q3	Q4	FY	Q1
Individual expenses/total credit to the public	(0.11)	0.04	0.41	0.30	0.16	0.27
Group expenses/total credit to the public	(0.07)	0.09	0.23	0.34	0.14	0.10
Total expenses/total credit to the public	(0.18)	0.13	0.64	0.64	0.30	0.37

Noninterest income

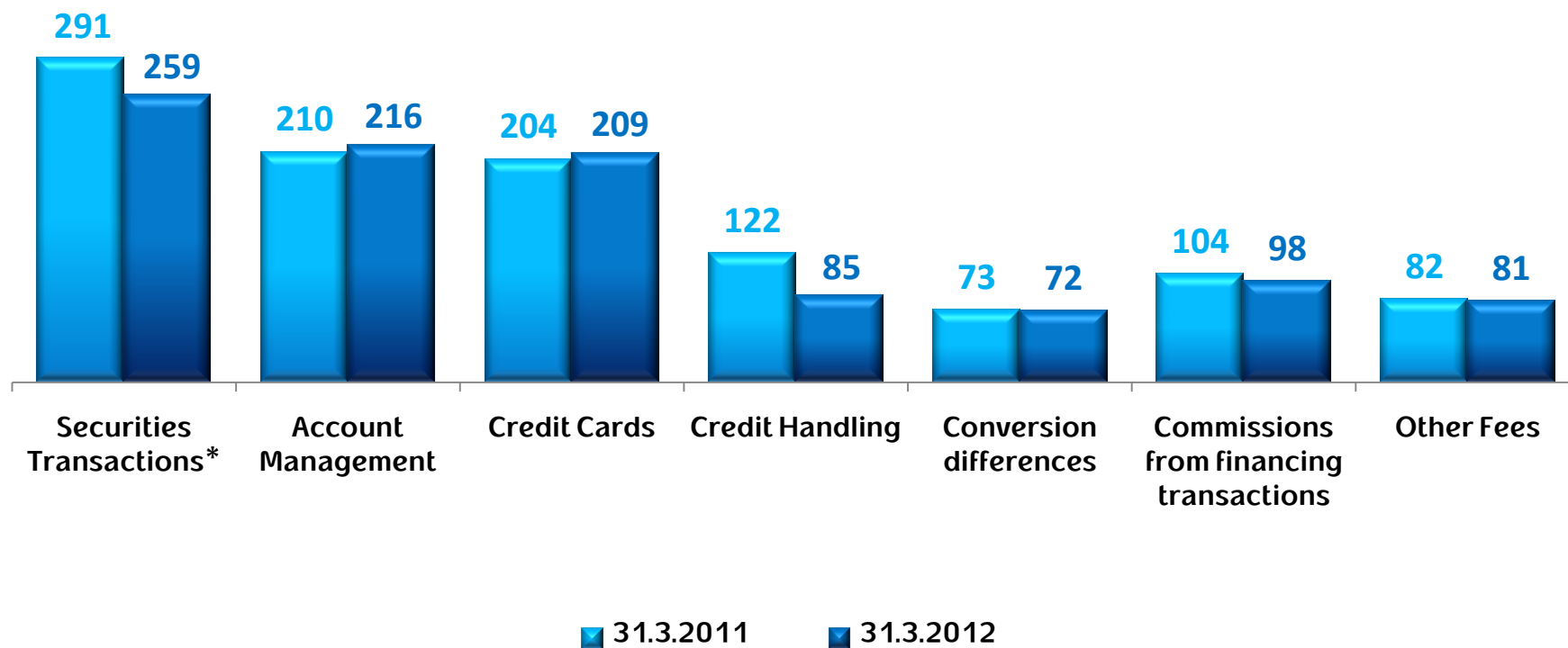
NIS millions

Noninterest income	31.03.12	31.03.11	Δ	Δ%
Operating Commissions	1,020	1,086	(66)	(6.1)
Noninterest financing income	151	54	97	+
Other income	12	11	1	9.1
Total	1,183	1,151	32	2.8

Noninterest financing income	31.03		Δ	Δ%
	2012	2011		
Income (expenses) in respect of derivatives, net	(352)	(97)	(255)	-
Exchange rate differentials, net	455	96	359	-
Profits from sale of available- for -sale bonds, net	58	77	(19)	(24.7)
Profits (losses) from investment in shares, including dividends	(14)	28	(42)	-
Profits (losses) realized and unrealized from adjustment to fair value of bonds and shares for trading, net	4	(50)	54	-
Total	151	54	97	-

Diversified commission revenues

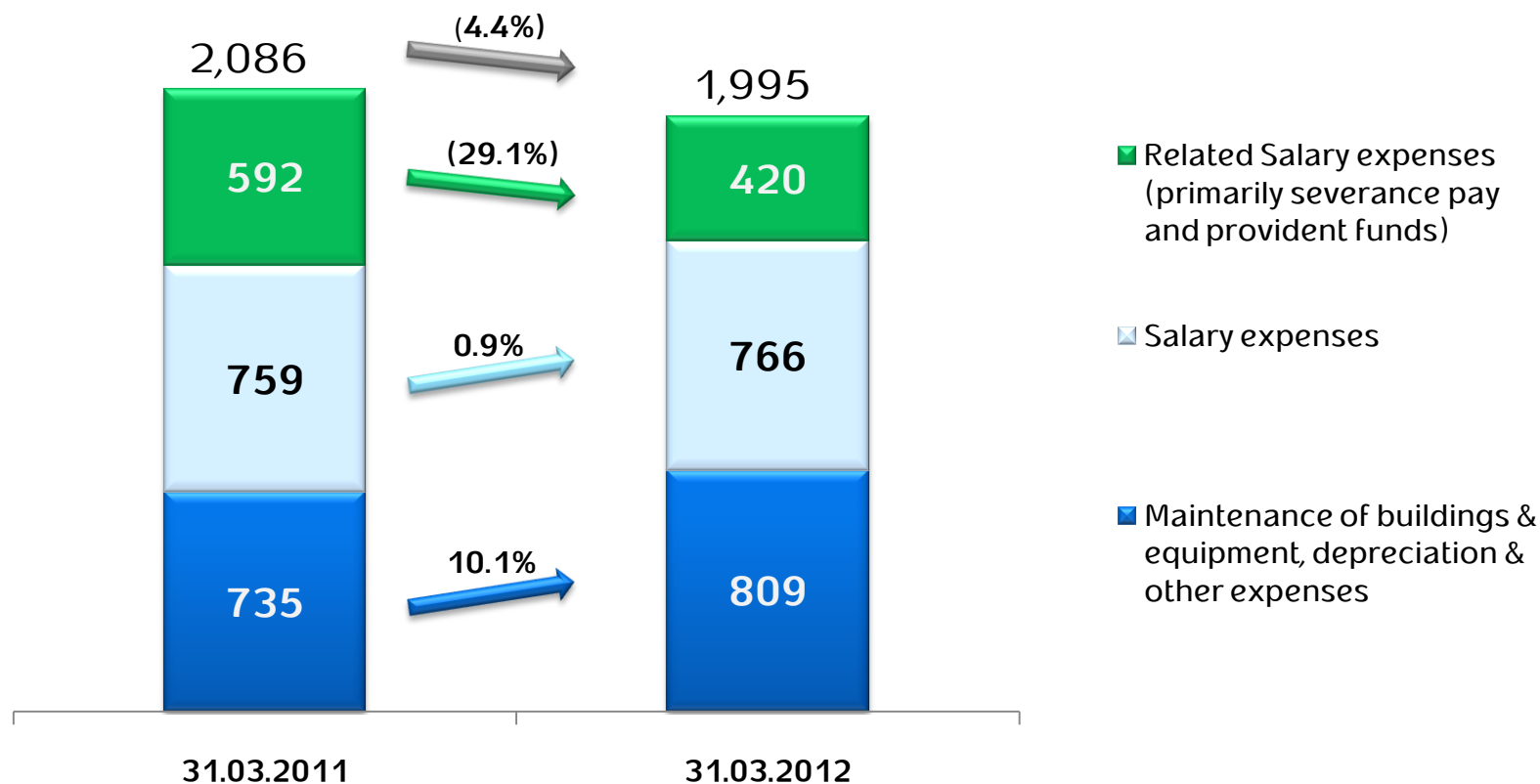
NIS millions



*Includes financial product distribution commissions

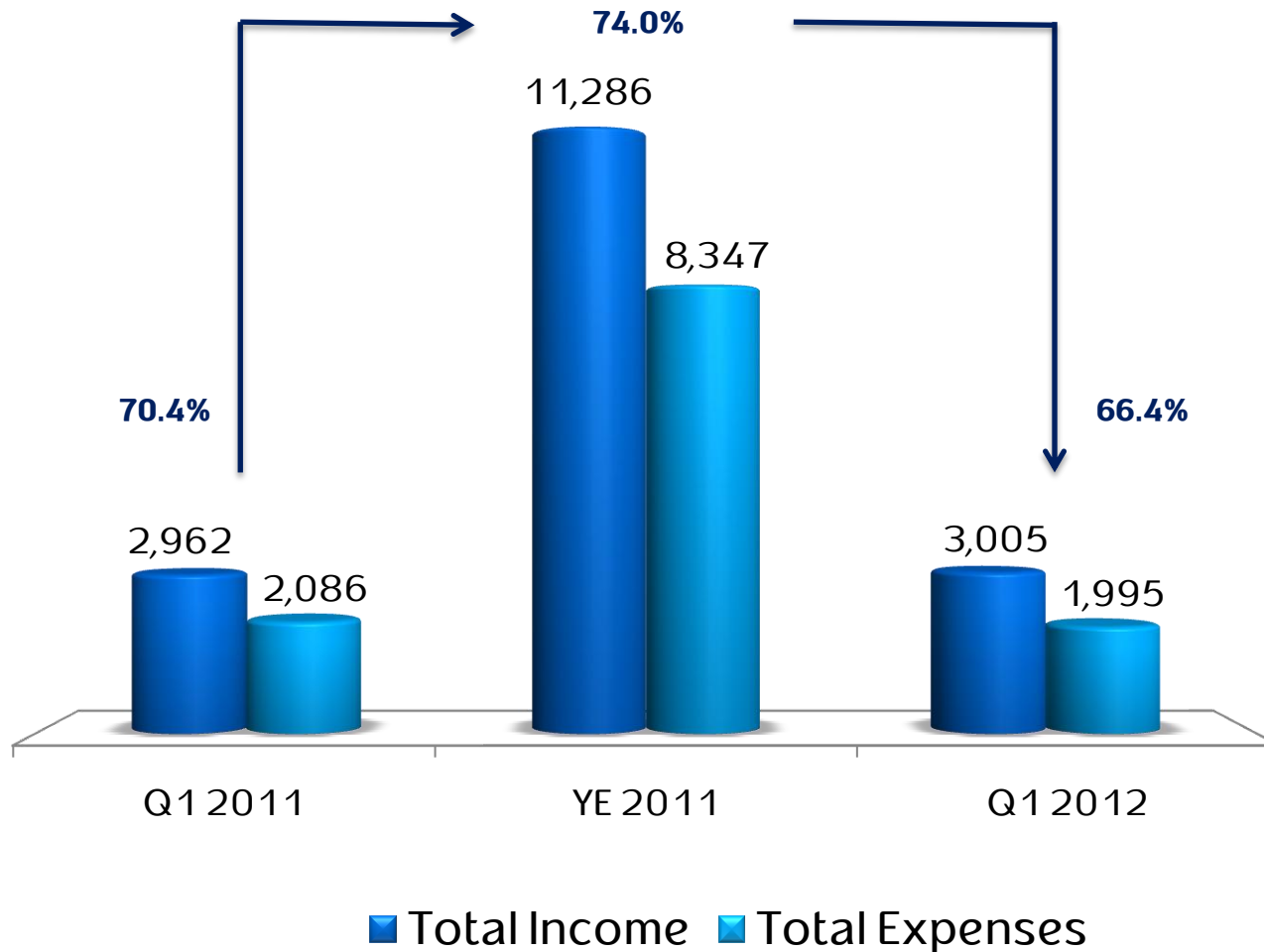
4.4% YoY decrease in total operating and other expenses

NIS millions



Cost/Income Ratio

NIS millions



Long-term balance and off-balance sheet growth

NIS billions

Total assets

18.9%



Deposits

16.6%



Credit

21.1%



Off-balance sheet

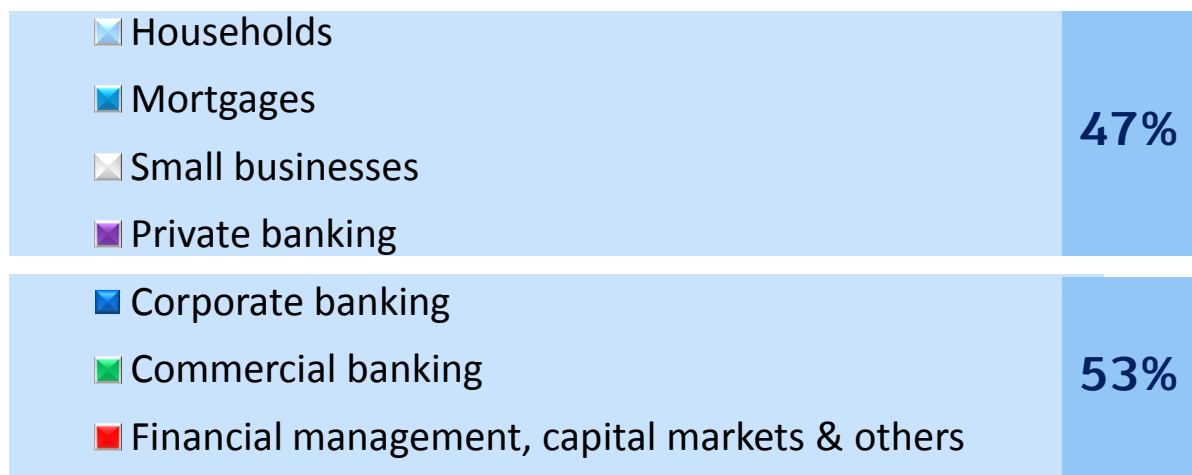
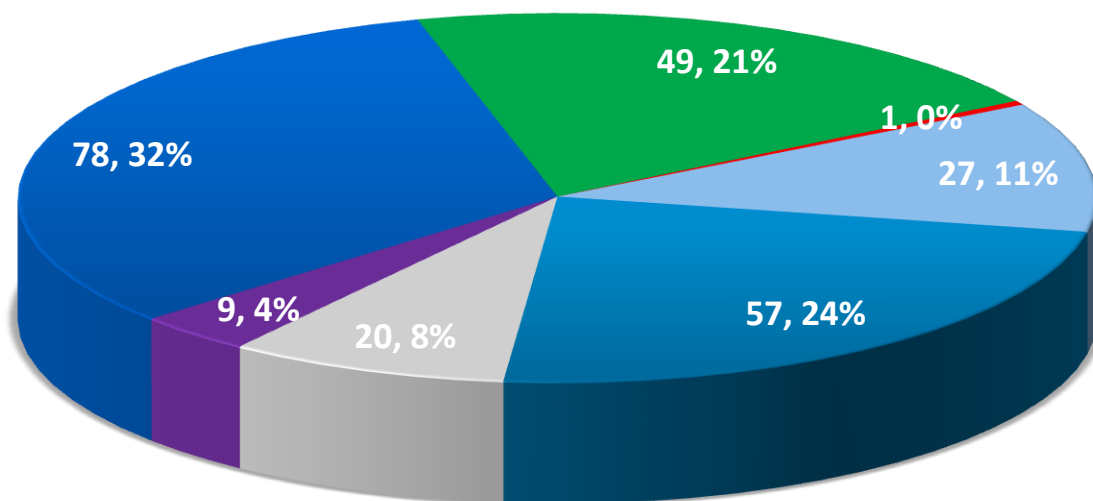
15.1%



Diversified credit portfolio

Composition of loan portfolio by segment

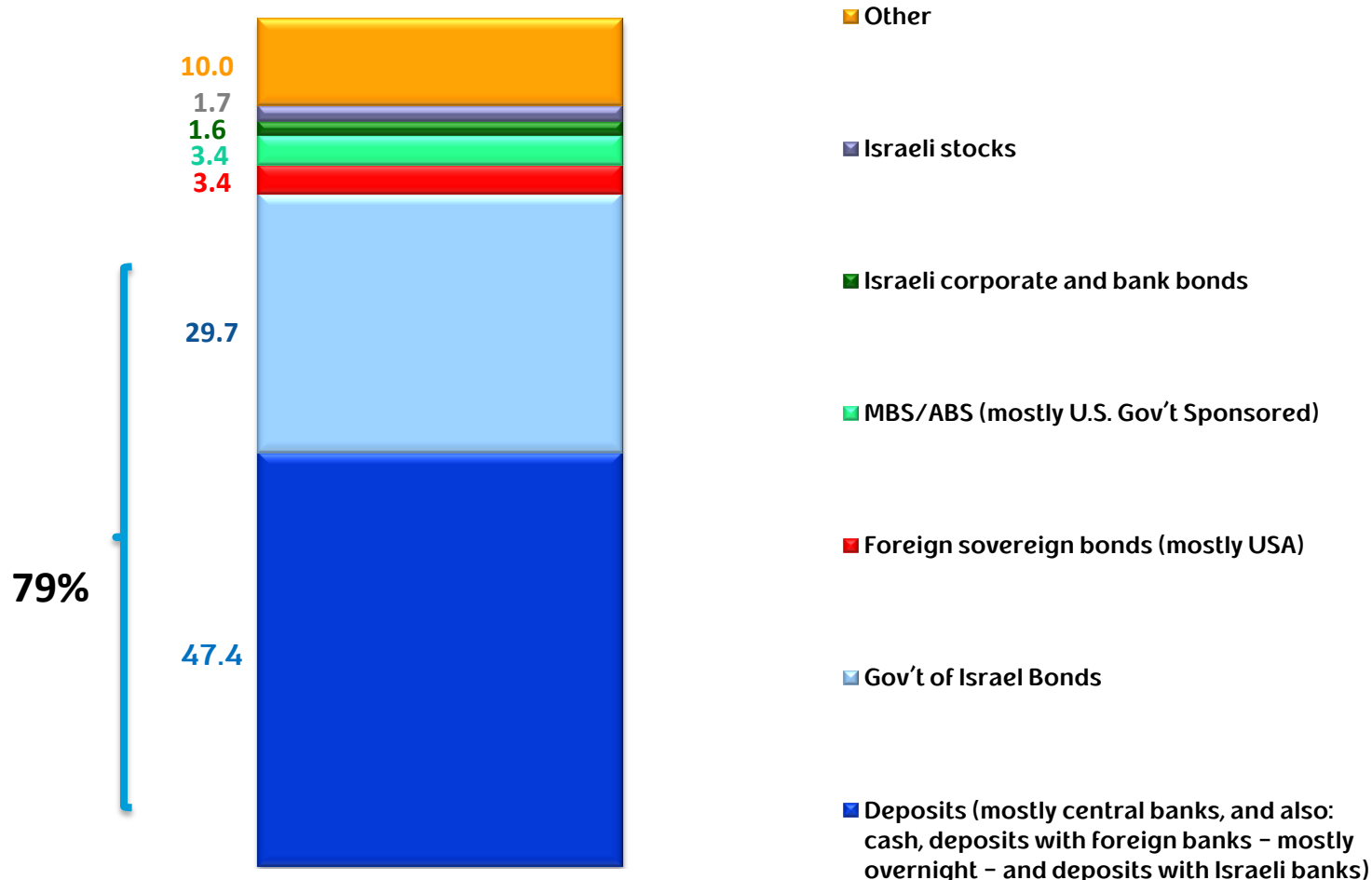
NIS billions, %, 31.3.2012



79% of nostro investments are in Israel government bonds and deposits

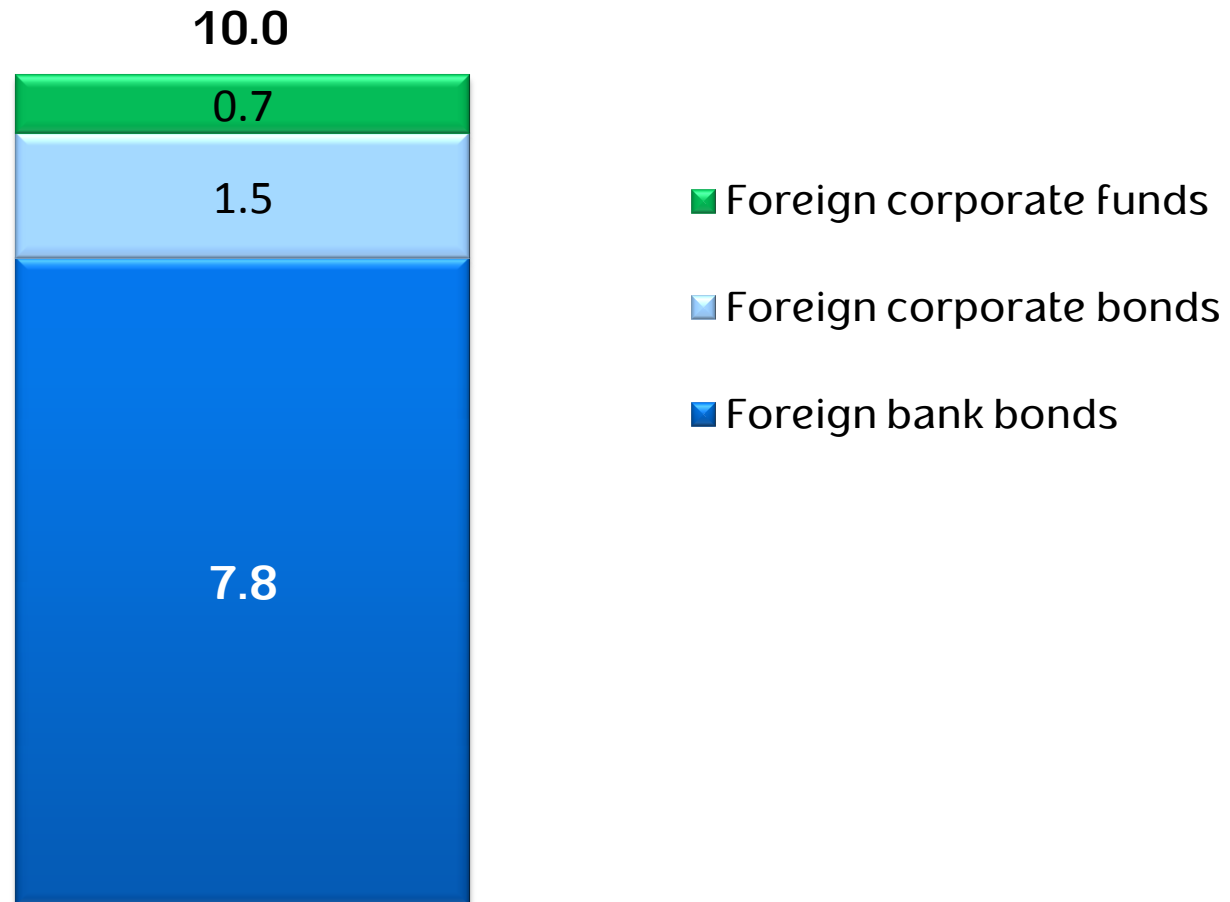
NIS billions, 31.3.2012

NIS 97.2 billion nostro portfolio

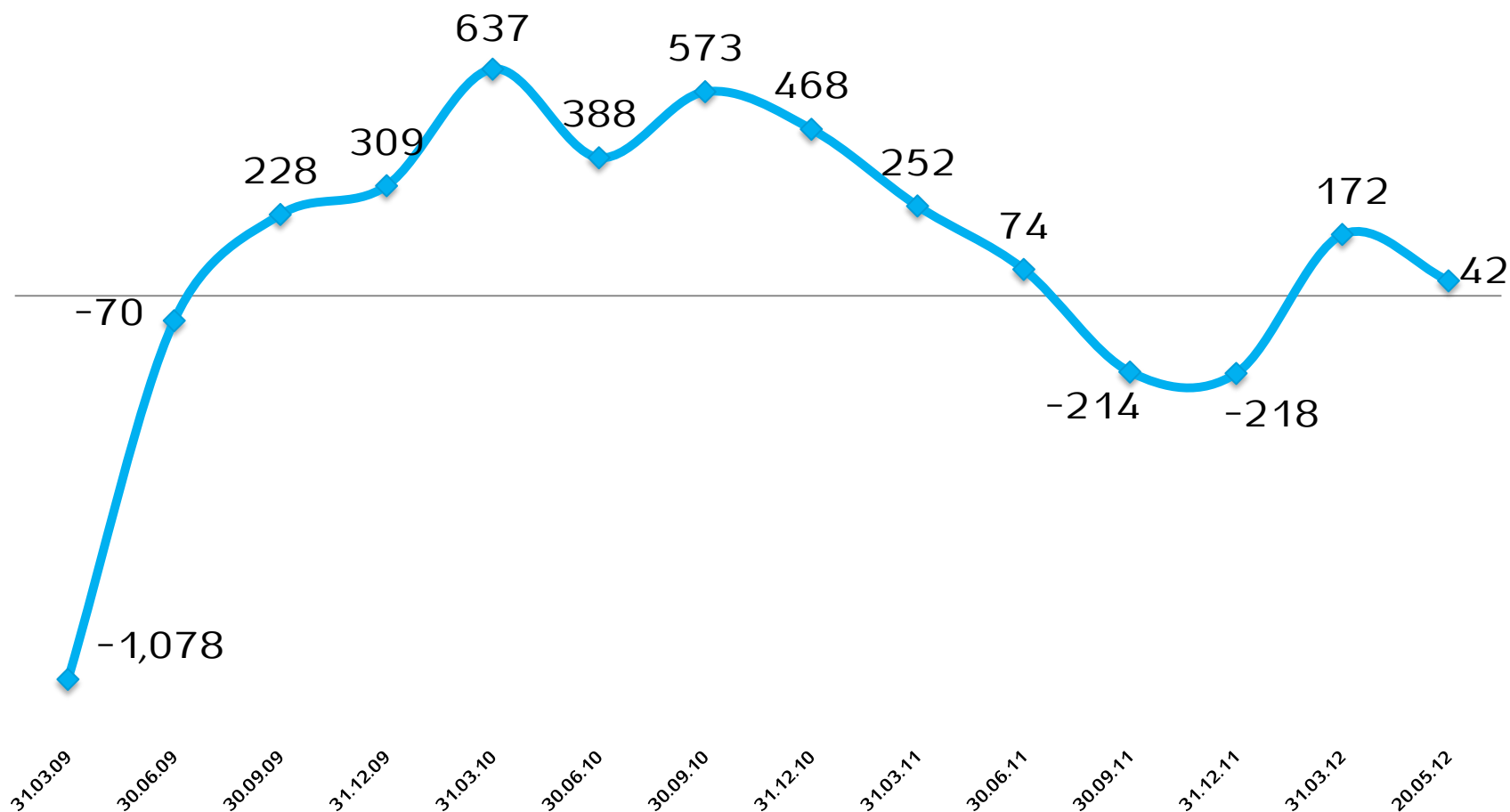


Composition of "Other" (foreign exposure to corporate shares, corporate bonds and bank bonds)

NIS Billions, 31.3.2012



Other Comprehensive Income*



* Net balances in capital (net adjustments in respect of available-for-sale securities)

Exposure to certain foreign countries

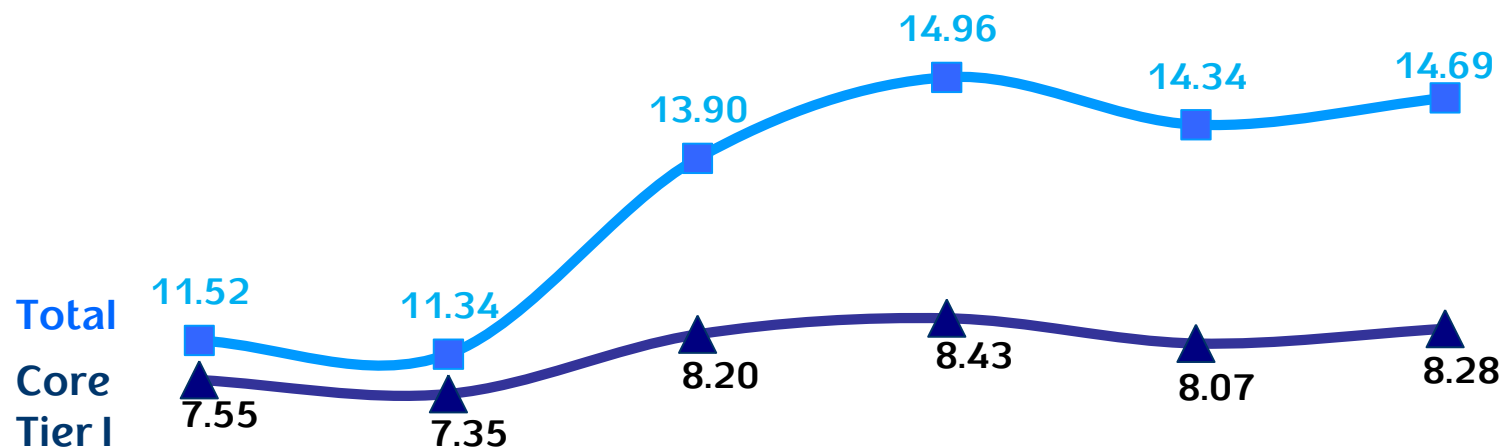
NIS millions, 31.3.2012

Country	Credit to the public	Bank bonds and others	Bank deposits	Other	Total
Portugal	-	-	-	-	-
Ireland	7	2	1	-	10
Italy ¹	58	342	21	10	431
Greece	3	-	-	-	3
Spain ²	40	414	13	5	472
Total	108	758	35	15	916

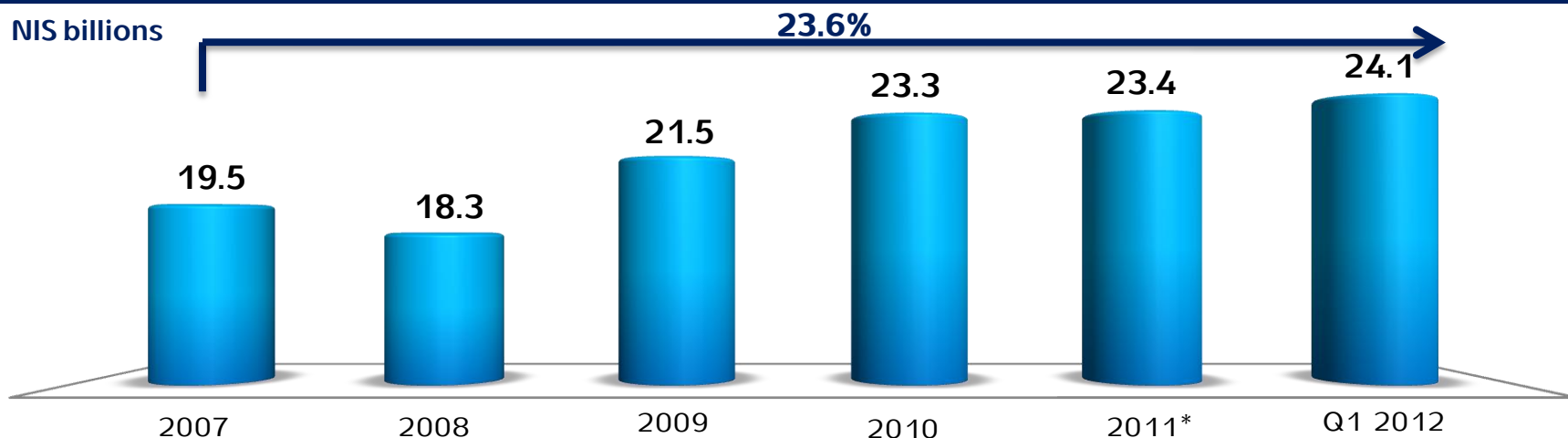
1. Most of the exposure is to bonds of Bank Intesa
2. Most of the exposure is to bonds of Santander Bank.

Capital: well-positioned for the evolving regulatory environment

Capital to risk weighted assets, %



Capital development



*The increase in capital mainly derives from the profit for the year, which was partially offset by implementation of new directives (NIS 721m), a decrease in the value of the available-for-sale securities portfolio (NIS 686m) and a dividend distribution (NIS 400m).

Focused strategy to increase value for stakeholders

- Position Leumi at the forefront of retail banking in Israel by increasing market share in growth segments and small businesses
- Expand the scope and range of business services to institutional customers
- Strengthen Leumi's leading position in the middle market sector
- Improve profitability of overseas subsidiaries
- Improve flexibility of human resource management and the efficiency of the IT, procurement, construction and maintenance systems
- Continue to upgrade Group risk management capabilities and pricing ability

The Leumi Group

31.03.2012

- **Assets:** \$97b
- **Credit:** \$65b
- **Deposits:** \$75b
- **Equity:** \$6.5b
- **AuM:** \$240b

- ~30% market share in Israel
- 270 branches in Israel*
- 61 offices in 17 countries*
- 13,633 employees*

- **Market Cap:** \$3.8b**
- **ROE:** 7.5%
- **CAR:** 14.69%
- **Core Tier 1 Ratio:** 8.28%

Leumi has been recognized for its excellence by:



* As at 31.12.2011, ** As at 28.5.2012

Thank You

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