Press Release

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MAY 31, 2006

FINANCIAL STATEMENTS OF THE LEUMI GROUP AS AT MARCH 31, 2006

LEUMI POSTS AN INCREASE OF 110.6% IN NET PROFIT IN THE FIRST QUARTER OF 2006:
NIS 1,112 MILLION ($238 MILLION), COMPARED WITH NIS 528 MILLION ($113 MILLION) IN THE FIRST QUARTER OF 2005

NET RETURN ON EQUITY (ANNUAL BASIS): 30.8% COMPARED WITH 14.9% IN THE SAME PERIOD LAST YEAR

The Leumi Group today published its financial statements for the first quarter of 2006, posting a **net profit for January – March 2006 of NIS 1,112 million ($238 million)**. The Group's net profit reflects an increase of 110.6% compared with the same period in 2005, when net profit was NIS 528 million ($113 million).

Net return on equity in the first quarter of 2006 reached 30.8%, compared with 14.9% in the same period last year.

Net profit for the first quarter includes profits of NIS 711 million ($152 million) in respect of the sale of Leumi's holdings in Africa Israel Investments Ltd., and 10% of Leumi's shares in Migdal Insurance & Financial Holdings Ltd.

The increase in net profit in the first quarter is explained mainly by the following factors:

- An increase in extraordinary income resulting from the sale of part of the non-banking holdings, in respect of which a profit of NIS 711 million ($152 million) was recorded. Of this sum, NIS 476 million ($102 million) was recorded for the sale of Leumi's holdings in Africa Israel Holdings Ltd., and profit of NIS 235 million ($50 million) was recorded in respect of the sale of 10% of Leumi's shares in Migdal Insurance & Financial Holdings Ltd.

- A decrease of approximately 55% in the provision for doubtful debts, from NIS 445 million ($95 million) in the first quarter of 2005, to NIS 201 million ($43 million) in the first quarter of 2006.

- An increase of NIS 53 million ($11 million) in operating income, resulting mainly from an increase in income from customers' activity in the capital market, payment system services, handling of credit and credit cards.

- An increase of NIS 53 million ($11 million) in profit from net interest income before provision for doubtful debts.

On the other hand, the following factors partially offset the increase in net profit:

- An increase of NIS 401 million ($86 million) in operating expenses, as a result of an increase in salary expense, the employee stock options and other expenses, including building and equipment maintenance, depreciation, etc. The increase in operating expenses includes special expenses of NIS 248 million ($53 million). From this: some NIS 136 million ($29 million) derives from the adoption of the new mortality tables published by the Commissioner of Insurance; some NIS 40 million ($9 million) results from recording an expense in respect of the issue of options for employees; some NIS 72 million ($15 million) for an increase in the severance and pension provision (as a result of a low increase in the value of the severance and pension fund compared with the increase in the liability for severance).

- A net decrease of approximately NIS 63 million ($14 million) in the Group's share in the profits of companies included on the equity basis.

Development of balance sheet items:

- **Total assets of the Leumi Group** as at March 31, 2006 amounted to NIS 273.0 billion ($58.5 billion), compared with NIS 256.9 billion ($55.1 billion) on March 31, 2005 and NIS 272.8 billion ($58.5 billion) on December 31, 2005.

- **Credit to the public** on March 31, 2006 amounted to NIS 177.6 billion ($38.1 billion), compared with NIS 168.9 billion ($36.2 billion) on March 31, 2005 and NIS 177.3 billion ($38.0 billion) on December 31, 2005.

- **Deposits from the public** on March 31, 2006 amounted to NIS 221.8 billion ($47.5 billion), compared with NIS 210.1 billion ($45.0 billion) on March 31, 2005 and NIS 221.8 billion ($47.5 billion) on December 31, 2005.

- **Shareholders' equity of the Group** on March 31, 2006 amounted to NIS 17.3 billion ($3.7 billion), compared with NIS 15.5 billion ($3.3 billion) on March 31, 2005 and NIS 16.0 billion ($3.4 billion) on December 31, 2005.

Principal operational segments:

- The **Business Segments** contributed an aggregate profit of approximately NIS 231 million ($50 million), constituting about 20.8% of the Group's total net profit. Of this sum, **Corporate Banking** contributed a net profit of approximately NIS 169 million ($36 million) to the Leumi Group, which is some 15.2% of the Group's total net profit, and **Construction and Real Estate** contributed a net profit of approximately NIS 62 million ($13 million) to the Leumi Group, which is some 5.6% of the Group's total net profit.

- The **Commercial Banking** segment contributed a net profit of approximately NIS 113 million ($24 million) to the Leumi Group, constituting about 10.1% of the Group's total net profit.

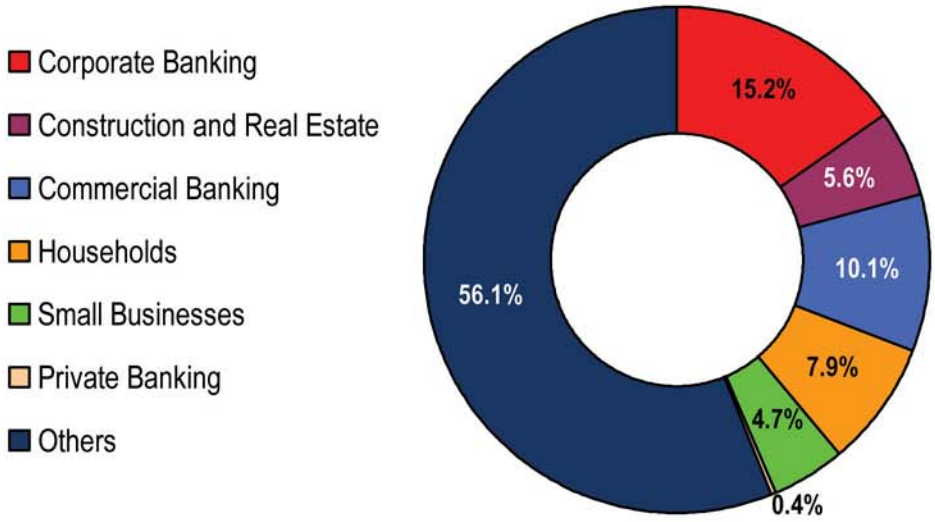
- The **Household Banking** segment contributed a net profit of approximately NIS 88 million ($19 million) to the Leumi Group, constituting about 7.9% of the Group's total net profit.

- The **Small Businesses** segment contributed a net profit of approximately NIS 52 million ($11 million) to the Leumi Group, constituting about 4.7% of the Group's total net profit.

- **The Private Banking** segment contributed a net profit of approximately NIS 4 million ($1 million) to the Leumi Group, constituting about 0.4% of the Group's total net profit.

- **Financial Management and Others** (including extraordinary profits) contributed a net profit of approximately NIS 624 million ($134 million) to the Leumi Group, constituting about 56.1% of the Group's total net profit.

Contribution of Operational Segments to the Group's profits



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Leumi Group – profit and profitability (in NIS millions)				
	For the three months ended 31.03.06	For the three months ended 31.03.05	% change	% change excluding special expenses
Net interest income before provision for doubtful debts	1,645	1,592	3.3%	
Provision for doubtful debts	201	445	-54.8%	
Operating and other income	940	887	6.0%	
Operating and other expenses	1,821	1,420	28.2%	10.8%
Net operating profit	400	531	-24.7%	4.8%
Net profit for the period	1,112	528	110.6%	138.8%
Net profit to shareholders' equity	30.8%	14.9%	-	35.9%
Net operating profit to shareholders' equity	10.4%	14.9%	-	14.8%

Development of balance sheet items (in NIS billions)					
	As at 31.03.06	As at 31.03.05	As at 31.12.05	% change compared with 31.03.05	% change compared with 31.12.05
Total assets	273.0	256.9	272.8	6.3%	0.1%
Credit to the public	177.6	168.9	177.3	5.1%	0.2%
Deposits from the public	221.8	210.1	221.8	5.6%	-
Shareholders' equity	17.3	15.5	16.0	11.8%	8.0%

The data in this Press Release has been converted into dollars solely for convenience at the representative rate of exchange published by the Bank of Israel prevailing on March 31, 2006 of NIS 4.665.