

Leumi Group

First Quarter 2006 Results

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Main macroeconomic variables

		2003	2004	2005	2006 Forecast	1 Q 2006
<i>Annual rates of change in real terms</i>	GDP	1.7%	4.4%	5.2%	4.7%	6.6%
	Gross product of the business sector	2.5%	6.3%	6.6%	6.2%	10.6%
	Private consumption	0.9%	5.0%	3.9%	5.4%	10.3%
	Public consumption	-2.3%	-2.4%	2.0%	1.0%	-0.6%
	Investment in fixed assets	-4.5%	-0.2%	2.4%	5.6%	16.3%
	Export of goods and services	7.5%	17.4%	5.6%	6.6%	2.4%
	Import of goods and services	-1.7%	xx.8%	4.0%	4.6%	-2.5%
<i>Percentage of GDP</i>	Current account	0.7%	1.6%	1.9%	1.2%	NA
<i>Annual average</i>	Unemployment rate	10.7%	10.4%	9.0%	8.3%	8.7%

Main financial parameters

	2003	2004	2005	2006 forecast
Consumer price index <i>(year end rate)</i>	-1.9%	1.2%	2.4%	2.0-3.0%
ILS/USD exchange rate <i>- annual average</i>	4.55	4.48	4.49	4.48-4.58
Bank of Israel interest rate <i>- annual average</i>	7.5%	4.2%	3.7%	5.0-5.5%
Bank of Israel interest rate <i>- year end</i>	5.2%	3.9%	4.5%	5.5-6.0%
10-year Shekel bond (Shachar) <i>- yield to maturity - year average</i>	8.6%	7.7%	6.4%	6.5-7.0%

The Leumi Group

<i>in millions</i>	<i>Q1 2006</i>	<i>Q1 2005</i>	<i>% change</i>	<i>ROE</i>
Net profit	\$238.4 NIS 1,112	\$113.2 NIS 528	+110.6%	30.8%
Net operating profit	\$85.7 NIS 400	\$113.8 NIS 531	-24.7%	10.4%
Net operating profit adjusted	\$120.7 NIS 563	\$115.1 NIS 537	+4.8%	14.8%

First quarter 2006 adjusted

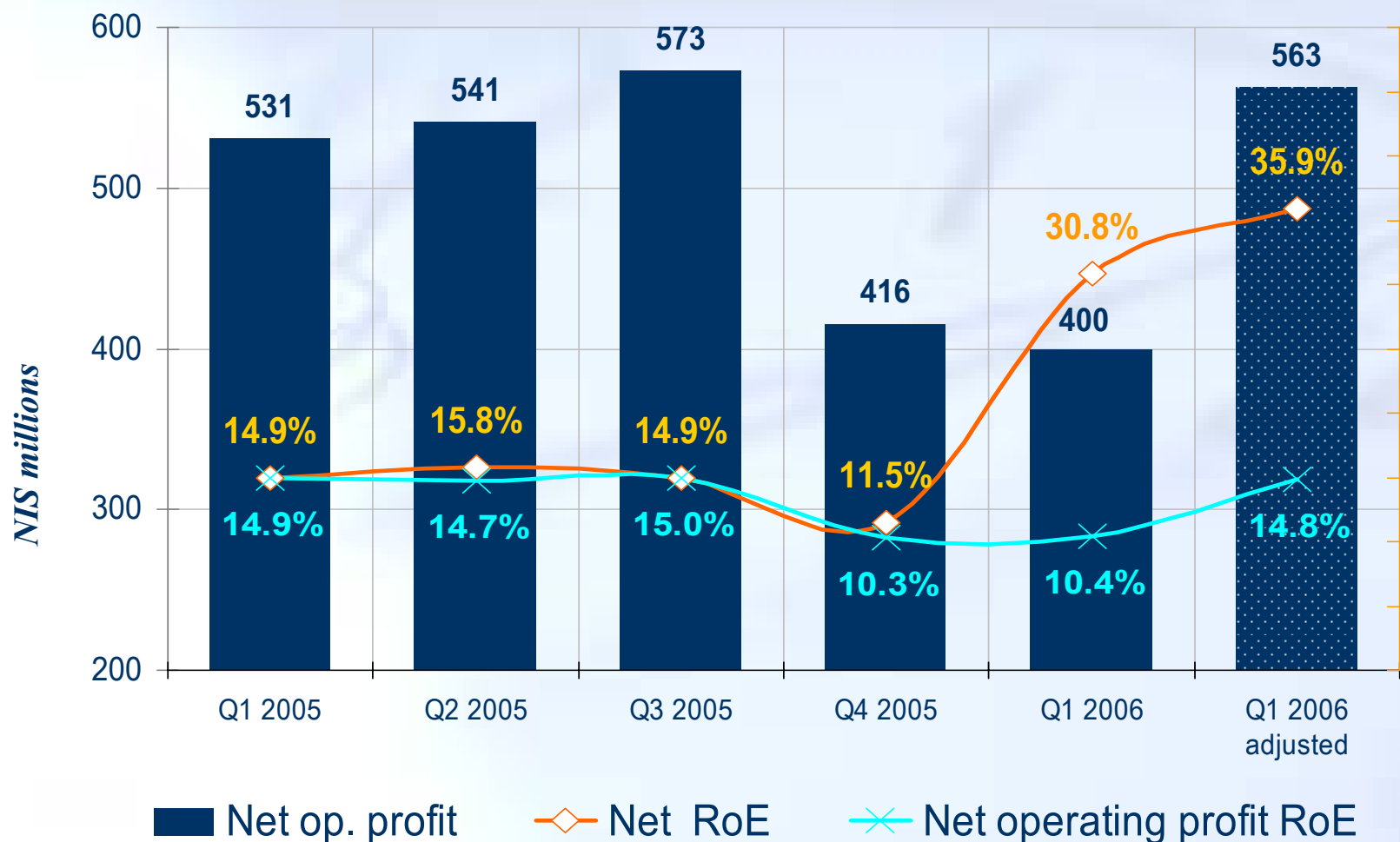
NIS millions

Published net operating profit		400
Provision for severance payments	} <i>Salary expenses</i>	82
Provision for mortality tables		136
Provision for options		40
Total before taxes		258
Taxes related to the above		(95)
Net adjustments		163
Net operating profit after adjustments		563
Net return on operating profit after adjustments		14.8%
Net return on equity after adjustments		35.9%

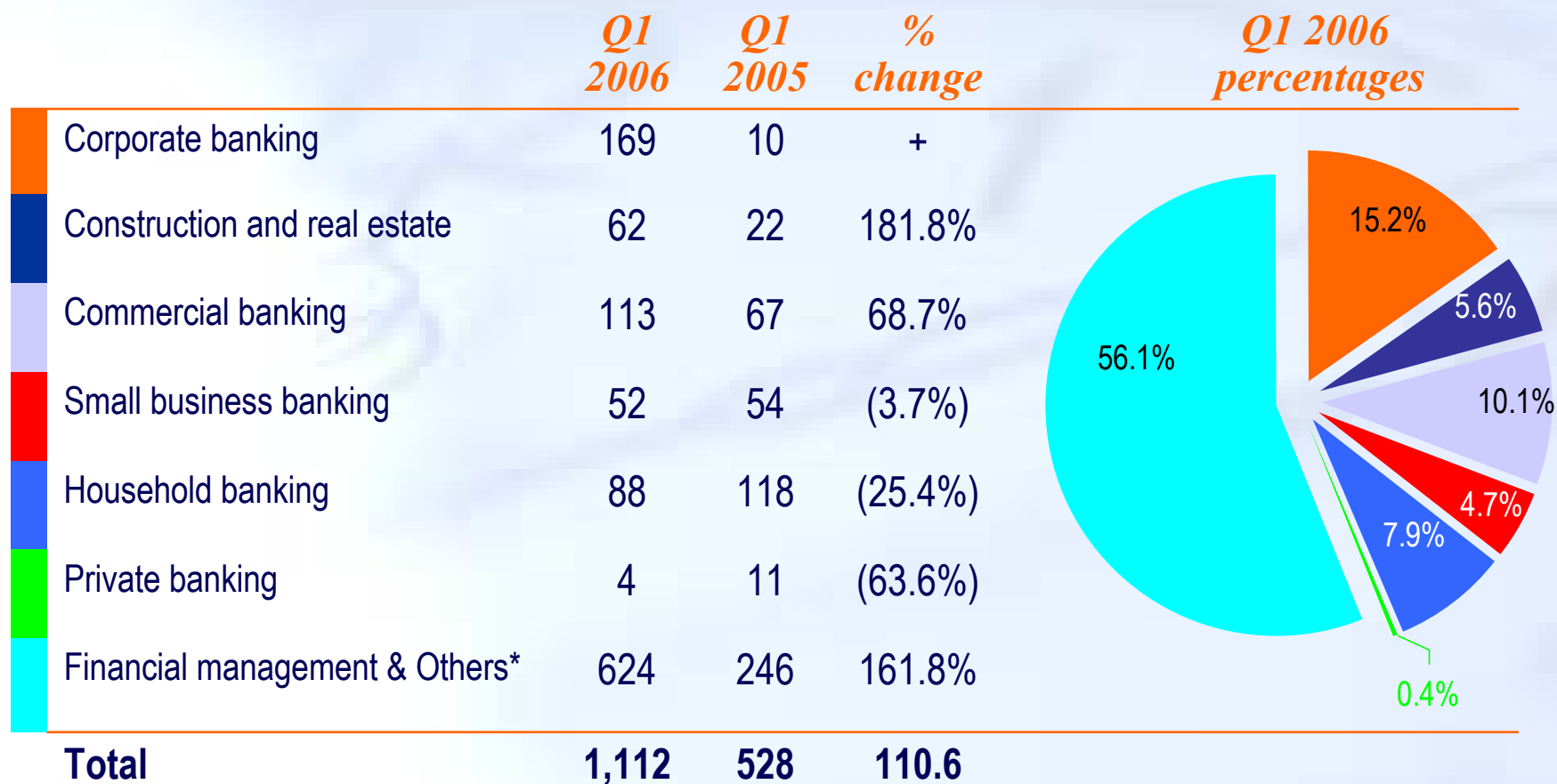
Main financial data

<i>NIS millions</i>	<i>3 months ended March 2006</i>	<i>3 months ended March 2005</i>	<i>% change</i>
Net interest income before provision	1,645	1,592	3.3%
Provision for doubtful debts	201	445	(54.8%)
Total operating and other income	940	887	6.0%
Total operating and other expenses	1,821	1,420	28.2%*
Companies included on the equity basis	78	141	(44.7%)
Net operating profit for the period	400	531	(24.7%)
Net operating profit after adjustments	563	537	4.8%

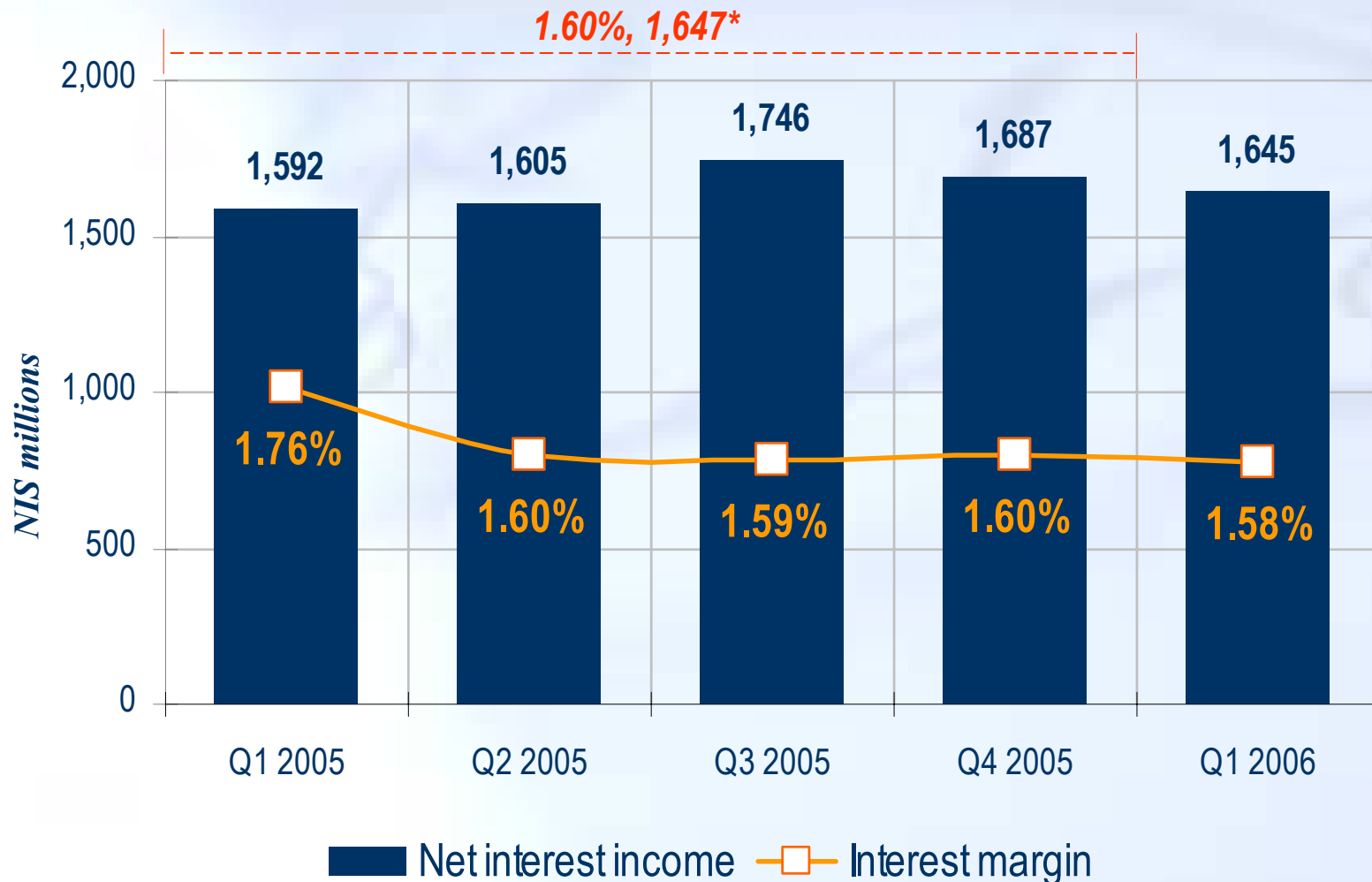
Net operating profit and RoE in annual terms



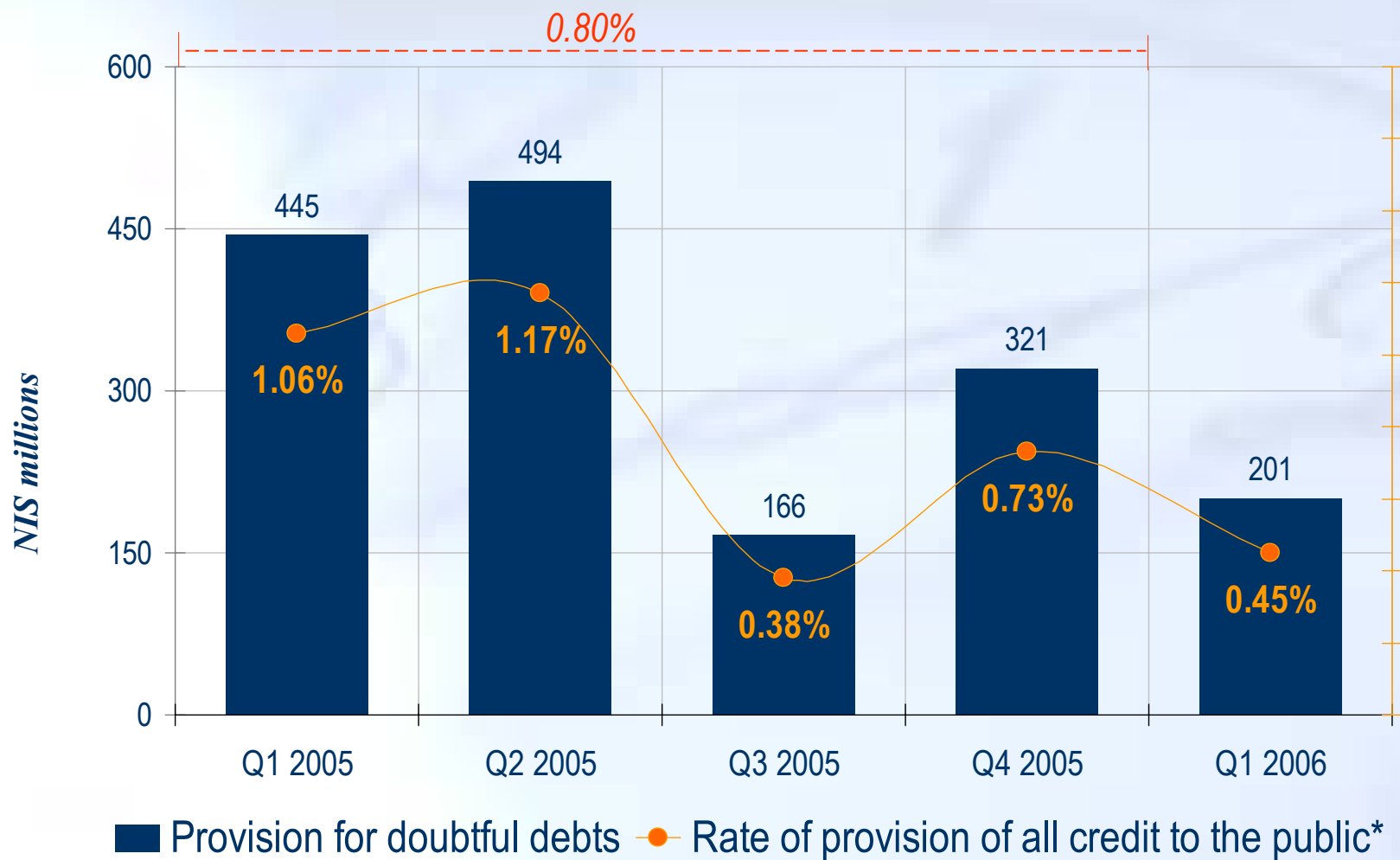
Net profit by operational segments



Net interest income & interest margin accumulated for the period ending:



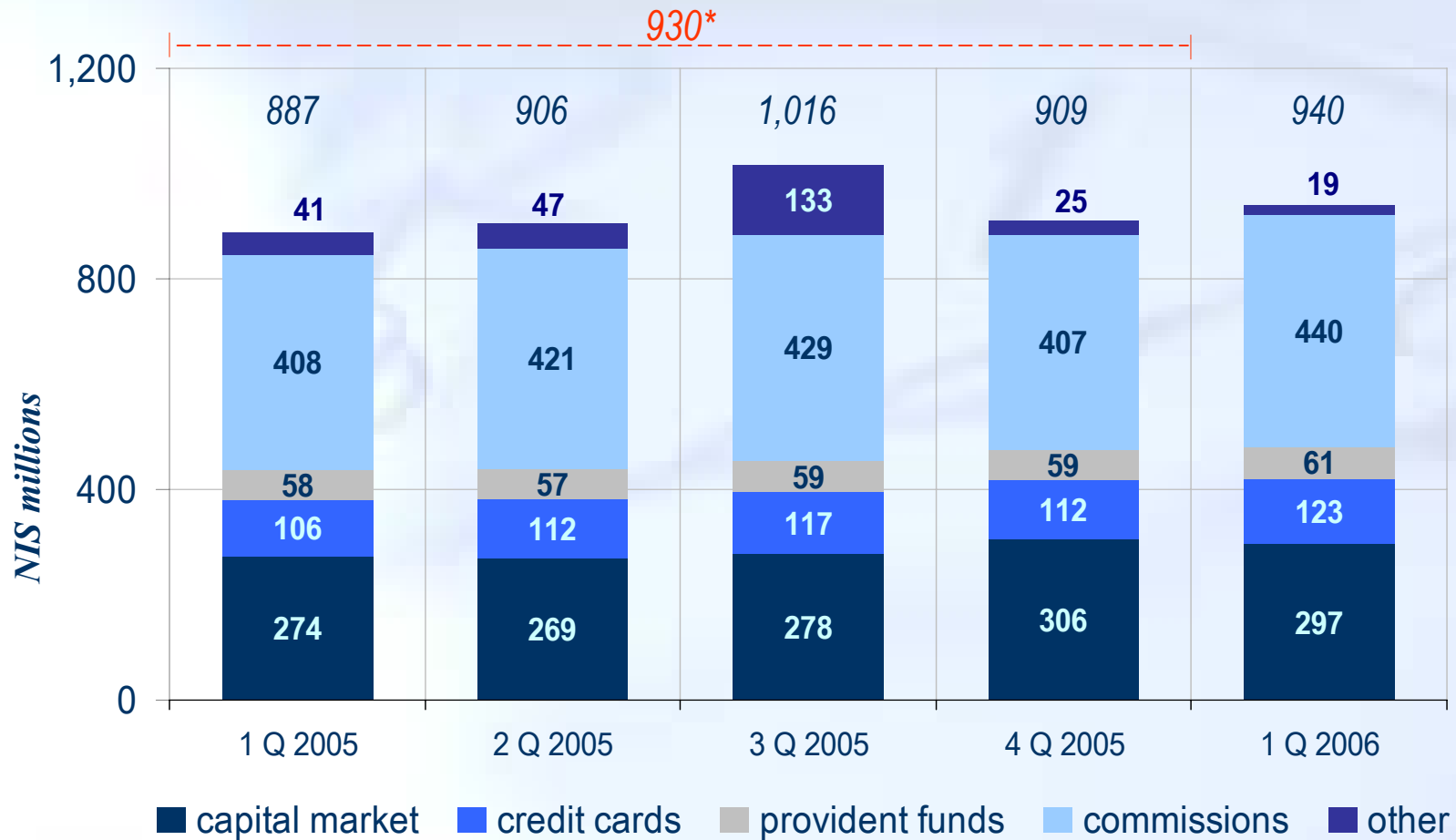
Provisions for doubtful debts



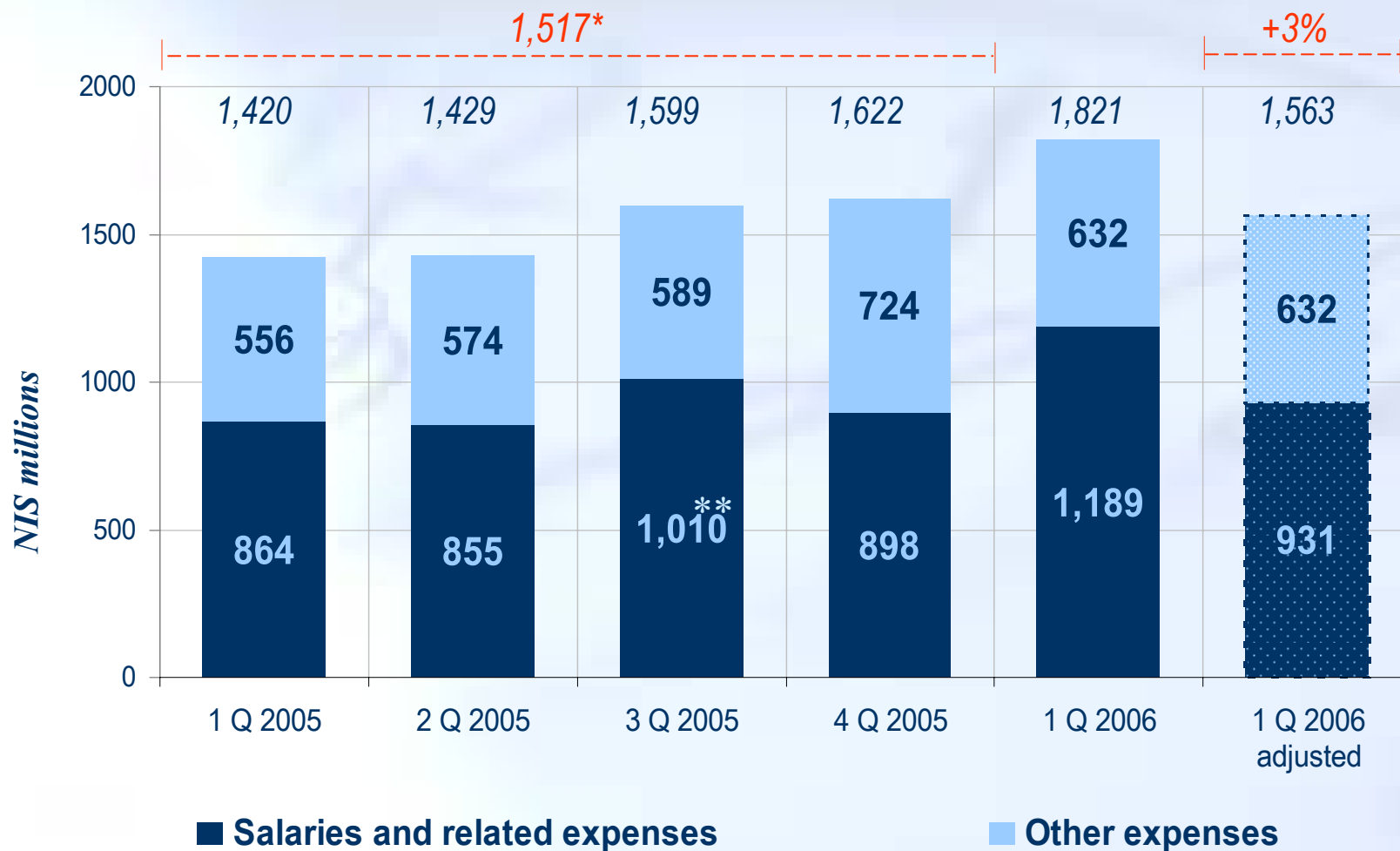
Problematic Loans

	<i>31.3.06</i>	<i>31.12.05</i>	<i>% change</i>
Non-accrual	2,518	2,431	3.6%
Restructured	1,121	985	13.8%
To be restructured	1,189	1,070	11.1%
In temporary arrears	750	698	7.4%
Under special supervision	12,519	12,485	0.3%
Total balance sheet credit risk	18,097	17,669	2.4%
Off balance sheet credit risk	2,313	2,060	12.3%
Other assets in respect of derivatives of problem borrowers	118	154	(23.4%)
Total overall credit	20,528	19,883	3.2%

Operating income



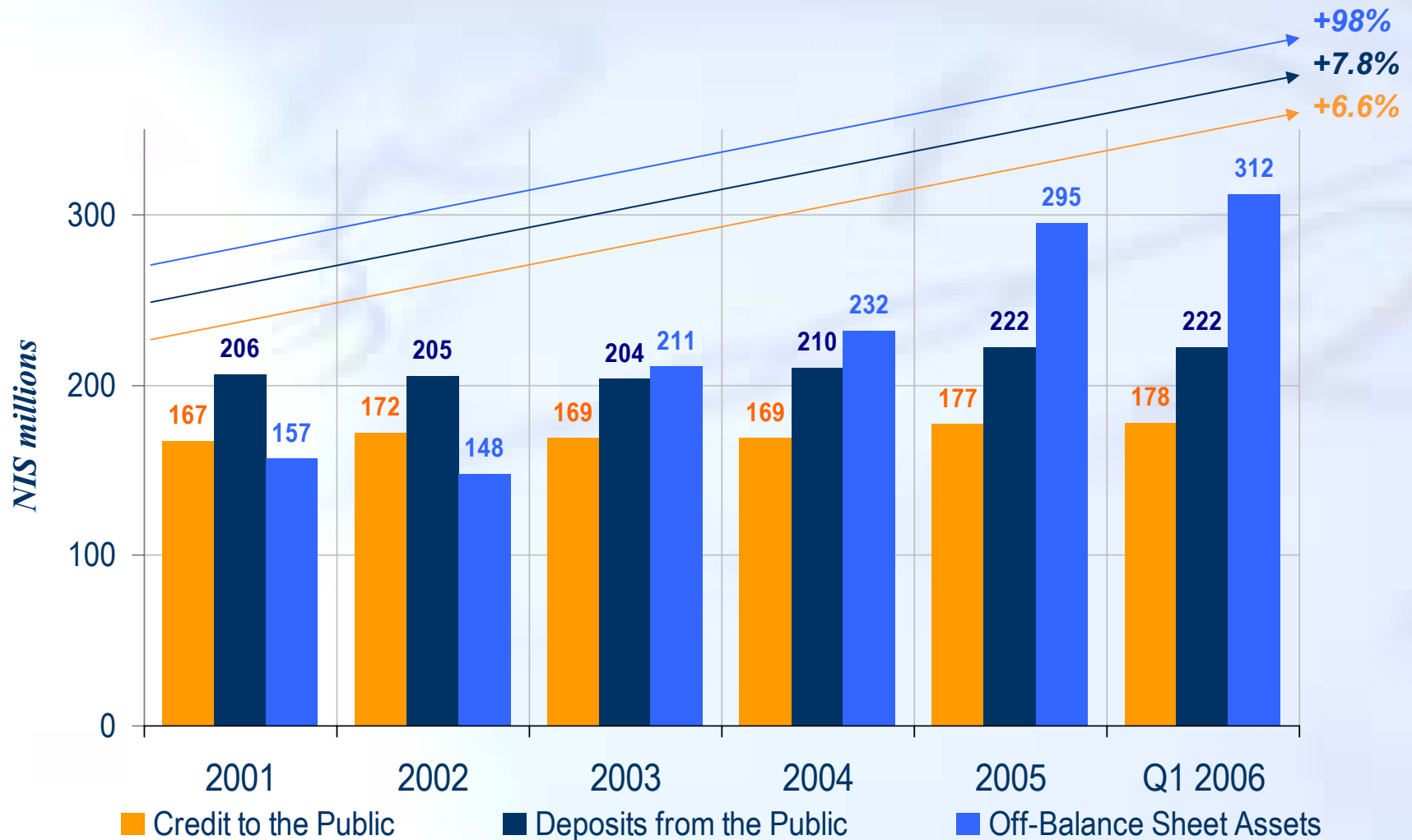
Operating expenses



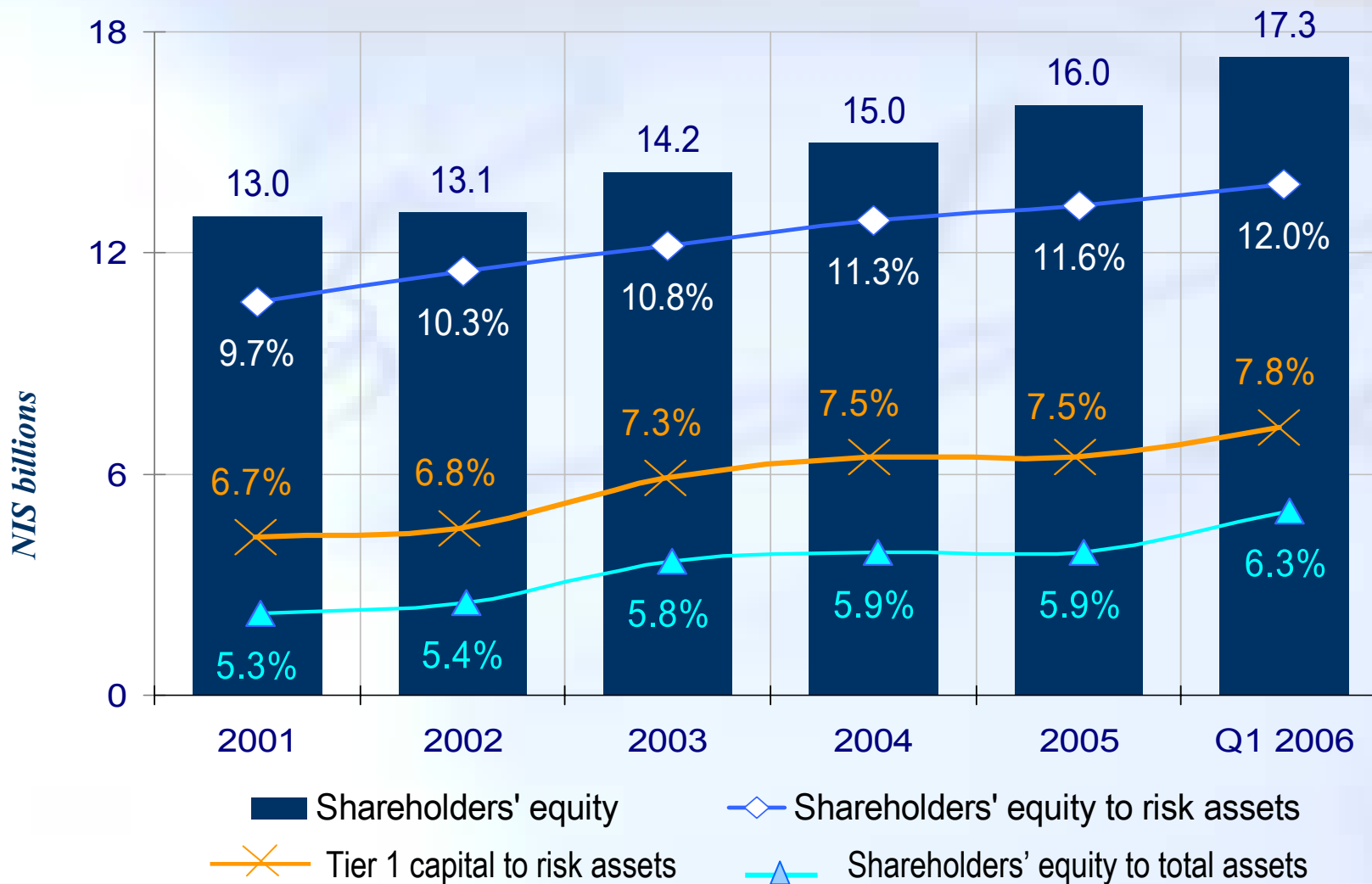
Efficiency Ratio*



Balance sheet and off-balance sheet



Shareholders' equity



Balance Sheet Highlights

<i>NIS billions</i>	<i>31.03.06</i>	<i>31.12 05</i>	<i>31.03 05</i>
Total assets	273.0	272.8	256.9
Credit to the public	177.6	177.3	168.9
Deposits from the public	221.8	221.8	210.1
Shareholders' equity	17.3	16.0	15.5
<i>Off-balance sheet items:</i>			
Provident & supplementary training fund assets	49.8	46.6	46.3
Securities portfolio managed by the Leumi Group	262.3*	245.6	204.4
Total managed assets	585.1	565.1	507.6
Total managed assets - US\$	125.4	122.3	116.4

2006: a unique and transitional year

- Capital market reform
- Sale of non-banking holdings and conglomerates
- Special capital gains
- Reduced profitability due to sale of capital market related entities and real holdings
- Privatization
 - Cost of option program related to the bank's privatization
 - Cost connected to the sale of shares to employees
- Expenses connected to the establishment of pension counselling
- One-time expense in regard to revised mortality tables

Summary

Net operating profit*	563	as at 3/06.....an increase of	4.8%	compared with 3/05
Net operating profit to shareholders' equity	14.8%	as at 3/06.....compared with	14.9%	as at 3/05
Provision for doubtful debts	201	as at 3/06.....compared with	445	as at 3/05
Total revenues	2,585	as at 3/06.....an increase of	4.3%	compared with 3/05
Efficiency ratio* (excluding voluntary retirement)	60.5%	as at 3/06.....compared with	57.1%	as at 3/05
Shareholders' equity to risk weighted assets	12.0%	as at 3/06.....compared with	11.7%	as at 3/05
Credit to the public.....		an increase of	5.13%	compared with 3/05
Deposits from the public.....		an increase of	5.57%	compared with 3/05