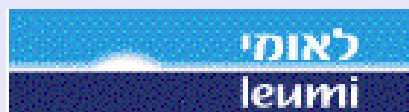


# **Leumi Group Half Year 2006 Results**



**August 30, 2006**

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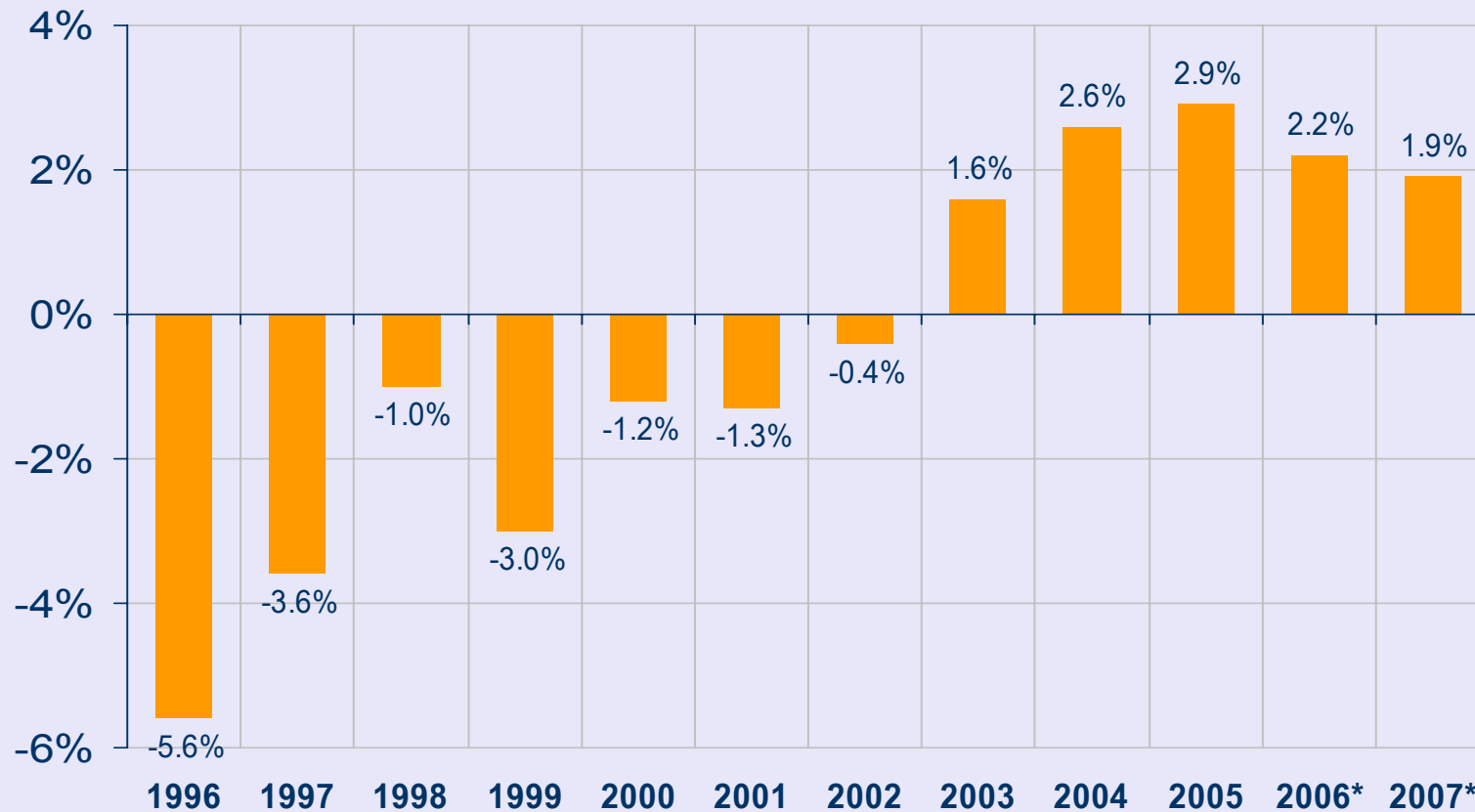
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# Main macroeconomic variables

		2004	2005	2006 Fcast	2007 Fcast	1H* 2006
<i>Annual rates of change in real terms</i>	GDP	4.8%	5.2%	4.0%	4.5%	5.9%
	Gross product of the business sector	6.8%	6.7%	4.7%	5.6%	7.4%
	Private consumption	5.5%	3.4%	4.3%	4.9%	5.4%
	Public consumption	-2.3%	2.7%	3.3%	1.4%	2.7%
	Investment in fixed assets	0.3%	2.9%	3.1%	5.7%	4.1%
	Export of goods and services	18.2%	5.1%	6.0%	5.2%	6.4%
	Import of goods and services	12.1%	3.4%	5.6%	4.3%	1.8%
<i>Percentage of GDP</i>	Current account surplus(+)/deficit(-)	2.6%	2.9%	2.2%	1.9%	5.0%
	Government budget surplus(+)/deficit(-)	-3.9%	-2.0%	-2.0%	-2.5%	1.5%
	Government debt	99%	95%	92%	90%	89%
<i>Annual average</i>	Unemployment rate	10.4%	9.0%	8.7%	8.5%	8.7%

*\*Based on seasonally adjusted data. Rates of change for 1H 2006 and current account and budget ratio are in annualized terms*

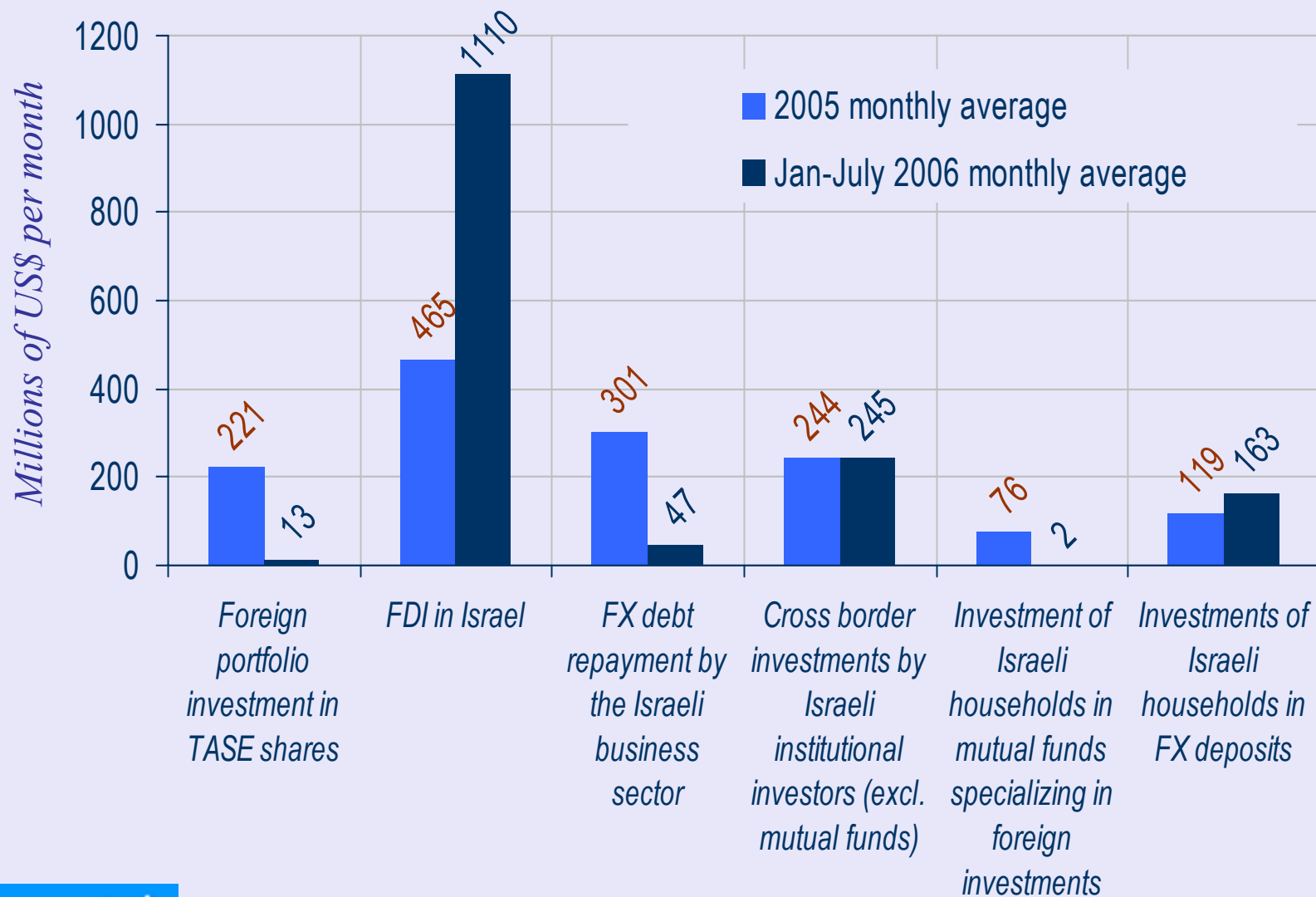
# The current account deficit(-)/surplus(+) as a percentage of GDP



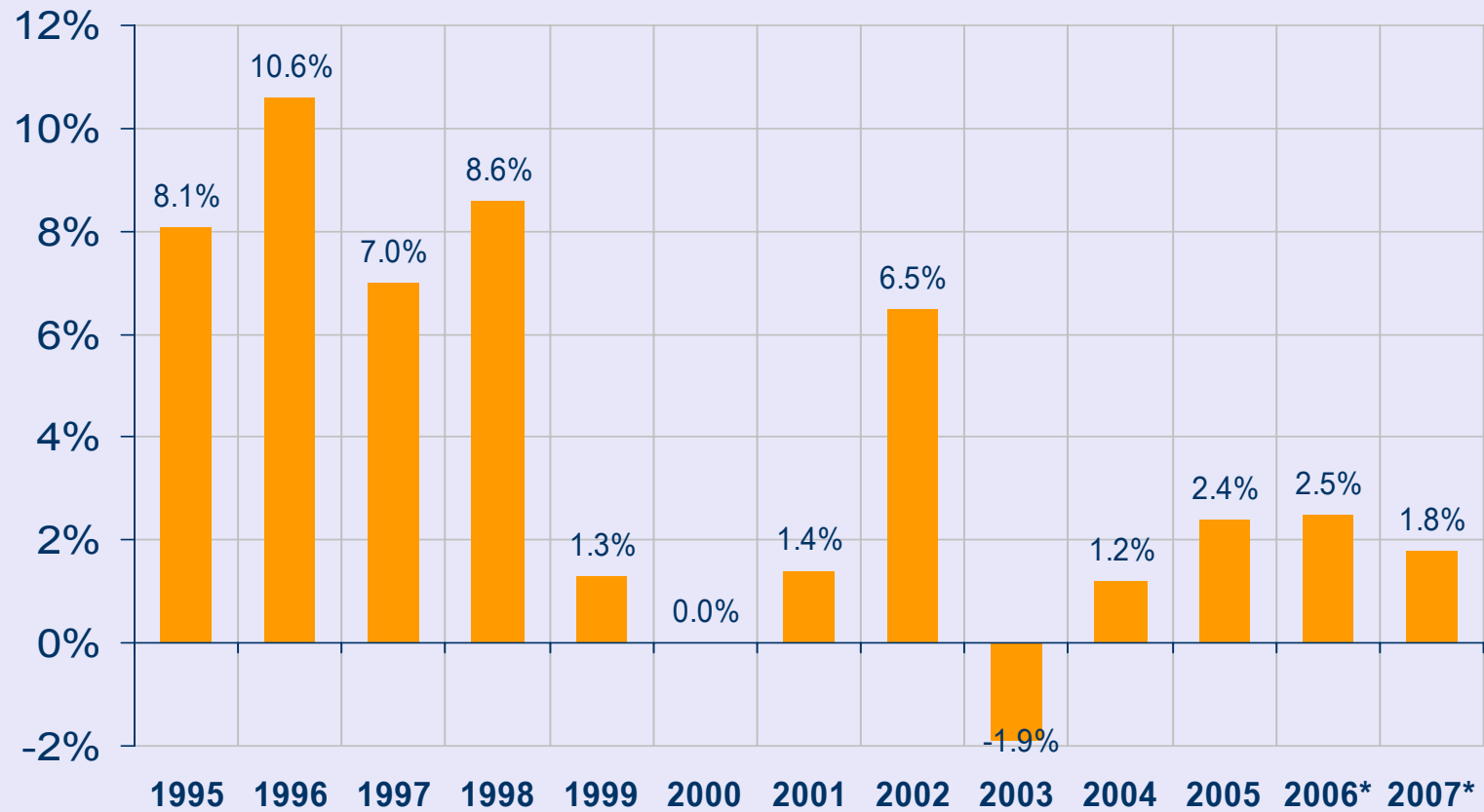
\*2006-2007 forecast

Note: in 2006, 1% of GDP is estimated to be approx. US\$1.4 bn

# FX activity – selected items

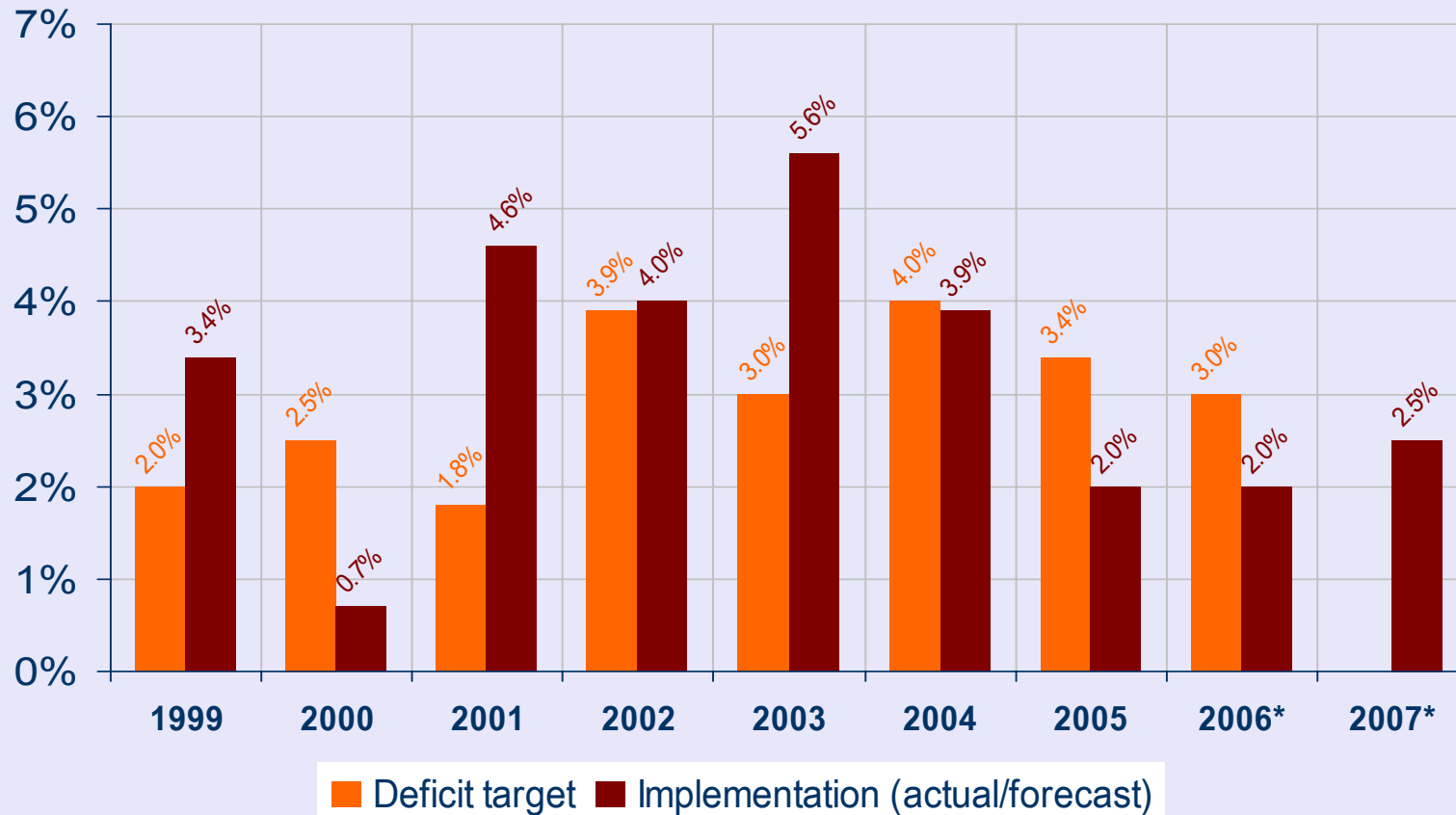


# The annual rate of inflation



*\*forecast*

# Israel's budget deficit as a percentage of GDP



*\*forecast*

*Note: in 2006, 1% of GDP is estimated to be approx. US\$1.4 bn*

# The Leumi Group

<i>in NIS millions</i>	<i>Q2 2006</i>	<i>Q2 2005</i>	<i>1H 2006</i>	<i>1H 2005</i>	<i>1H % change</i>	<i>1H ROE</i>
<b>Net profit</b>	378	578	1,490	1,106	+34.7%	19.5%
<b>Net profit adjusted</b>	615	587	1,870	1,125	+66.2%	24.7%
<b>Net operating profit</b>	367	541	767	1,072	-28.5%	9.8%
<b>Net operating profit adjusted</b>	604	550	1,147	1,091	+5.2%	14.9%

# First half 2006 adjusted

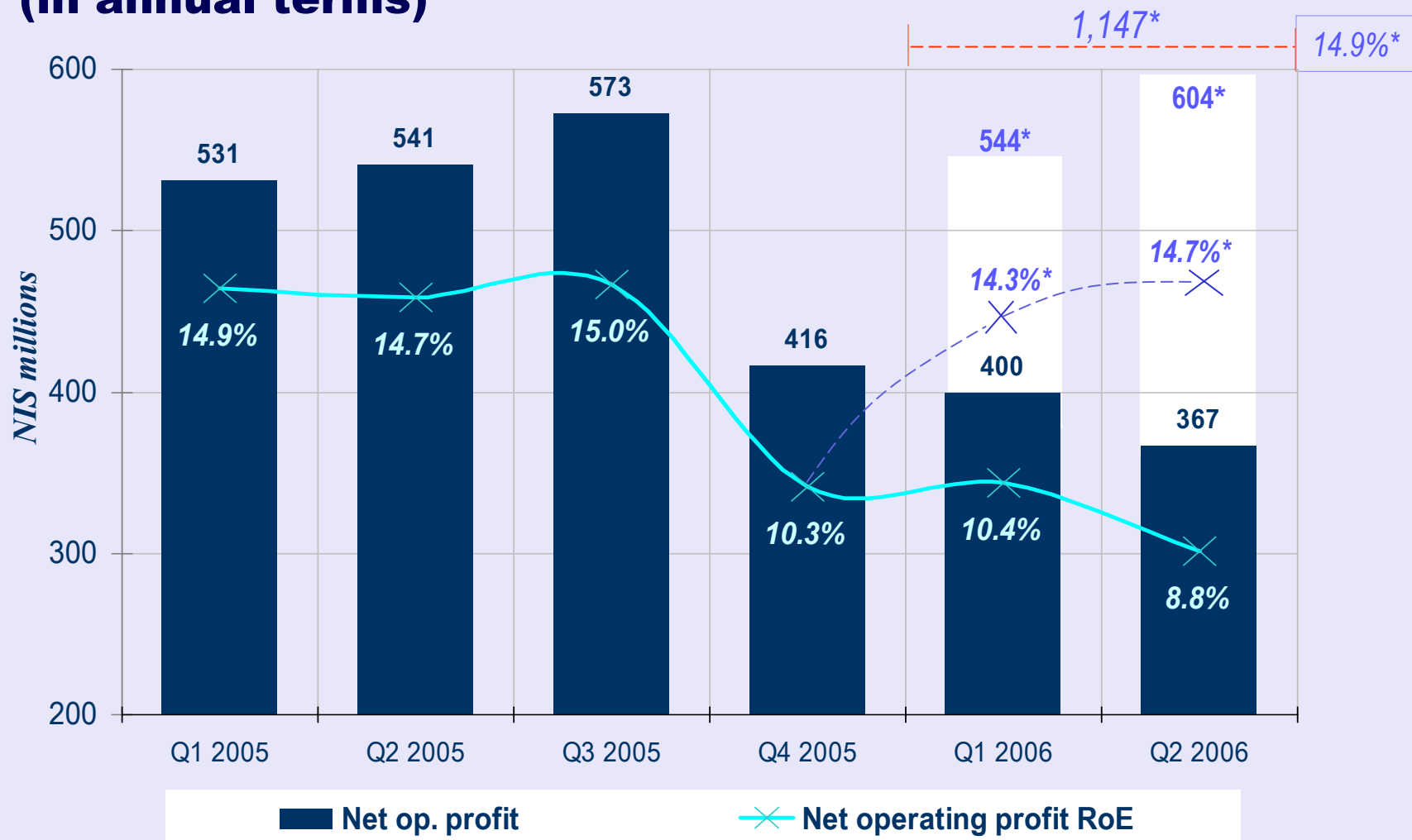
NIS millions

		Q1 2006	Q2 2006	1H 2006
Published net operating profit		400	367	767
Provision for severance payments	<i>S a l a r y e x p e n s e s</i>	60	(2)	58
Provision for mortality tables		136	0	136
Provision for holiday gifts		0	89	89
Cost of options		40	48	88
Cost of gov't sale of shares to employees		0	191	191
Reduction of VAT		0	(38)	(38)
Total before taxes		236	288	524
Taxes related to the above		(92)	(51)	(143)
Net adjustments		144	237	380
Net operating profit after adjustments		544	604	1,147
Return on net operating profit after adjustments		14.3%	14.7%	14.9%
Return on net profit after adjustments		35.3%	15.0%	24.7%

## Main financial data

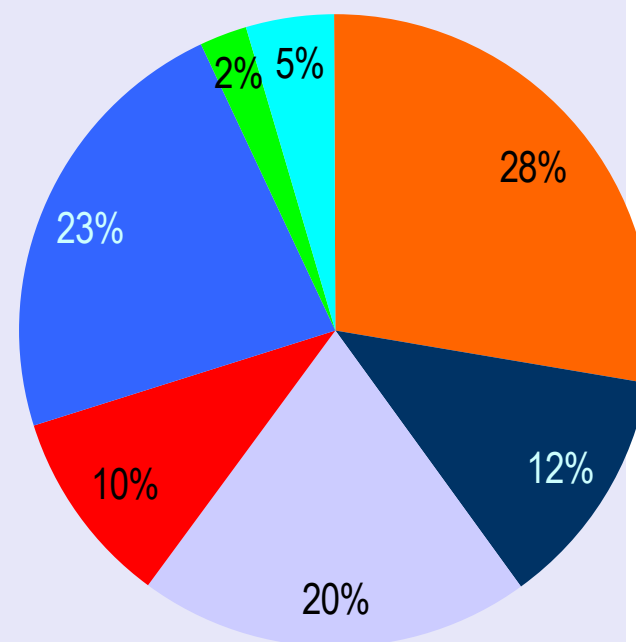
	<i>6 months ended 6/2006</i>	<i>6 months ended 6/2005</i>	<i>% change</i>	<i>Q2oQ2 % change</i>
Net interest income before provision	3,441	3,197	7.6%	11.9%
Provision for doubtful debts	386	939	-58.9%	-62.6%
Total operating and other income	1,955	1,793	9.0%	12.0%
Total operating and other expenses	3,701	2,849	29.9%	31.6%
<i>- after adjustments</i>	<i>3,177</i>	<i>2,815</i>	<i>12.9%</i>	<i>12.7%</i>
Companies included on the equity basis	98	261	-62.5%	-83.3%
Net operating profit for the period	767	1,072	-28.5%	-32.2%
<i>Net operating profit after adjustments</i>	<i>1,147</i>	<i>1,091</i>	<i>5.2%</i>	<i>9.8%</i>

# Net operating profit and RoE (in annual terms)



# Net profit by operational segments after adjustments\*

<i>NIS millions</i>	<i>1H 2006</i>	<i>1H 2005</i>	<i>% change</i>	<i>1H 2006 percentages***</i>
Corporate banking	321	(59)	+	28%
Construction and real estate	140	107	30.8%	12%
Commercial banking	229	163	40.5%	20%
Small business banking	117	98	19.4%	10%
Household banking	265	252	5.2%	23%
Private banking	28	18	55.6%	2%
Financial management & Others**	770	546	41.0%	5%
<b>Total</b>	<b>1,870</b>	<b>1,125</b>	<b>66.2%</b>	

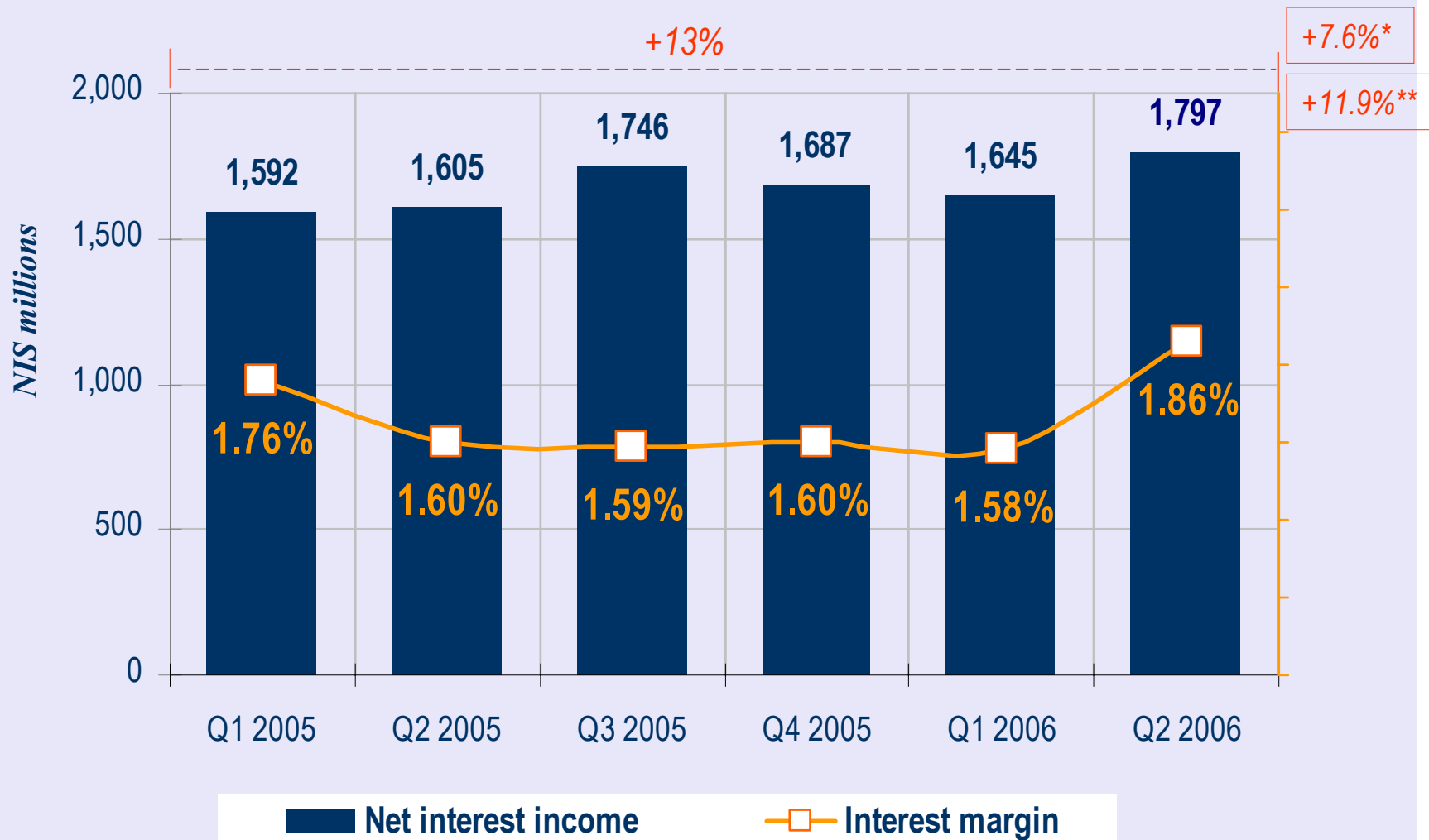


\*Net profit after neutralizing special salary expenses

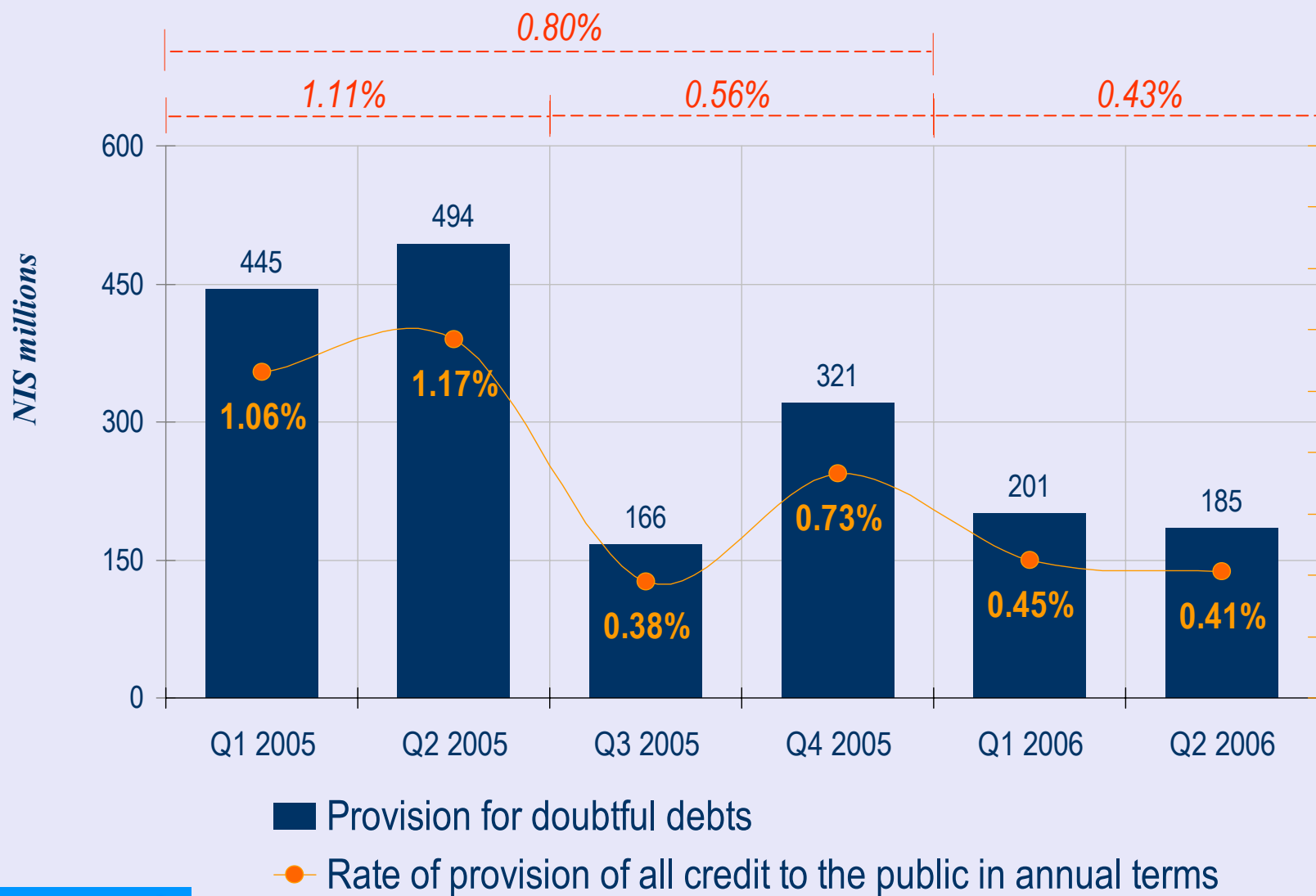
\*\*Including extraordinary profits

\*\*\*Net operating profit

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



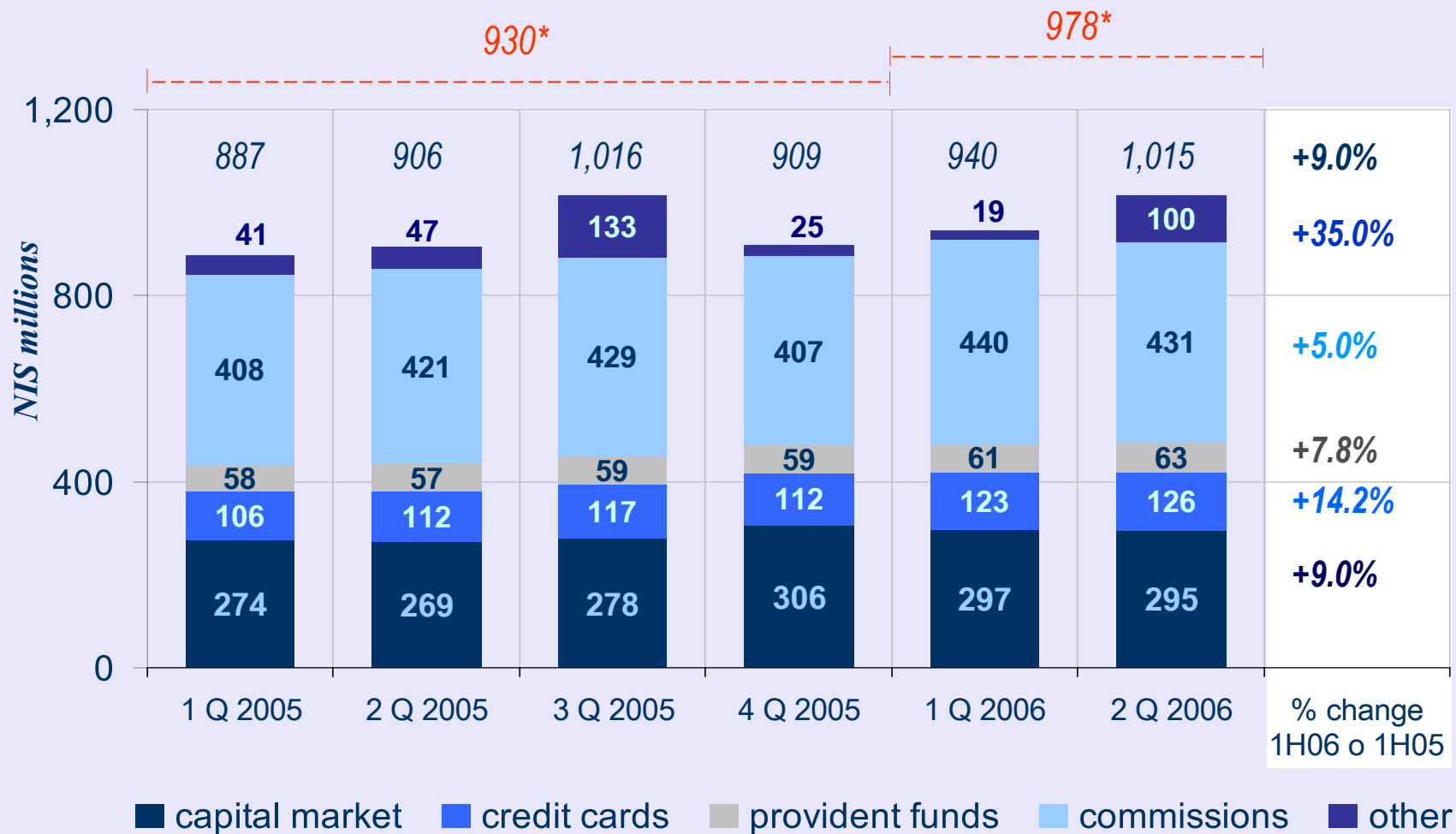
# Provision for doubtful debts



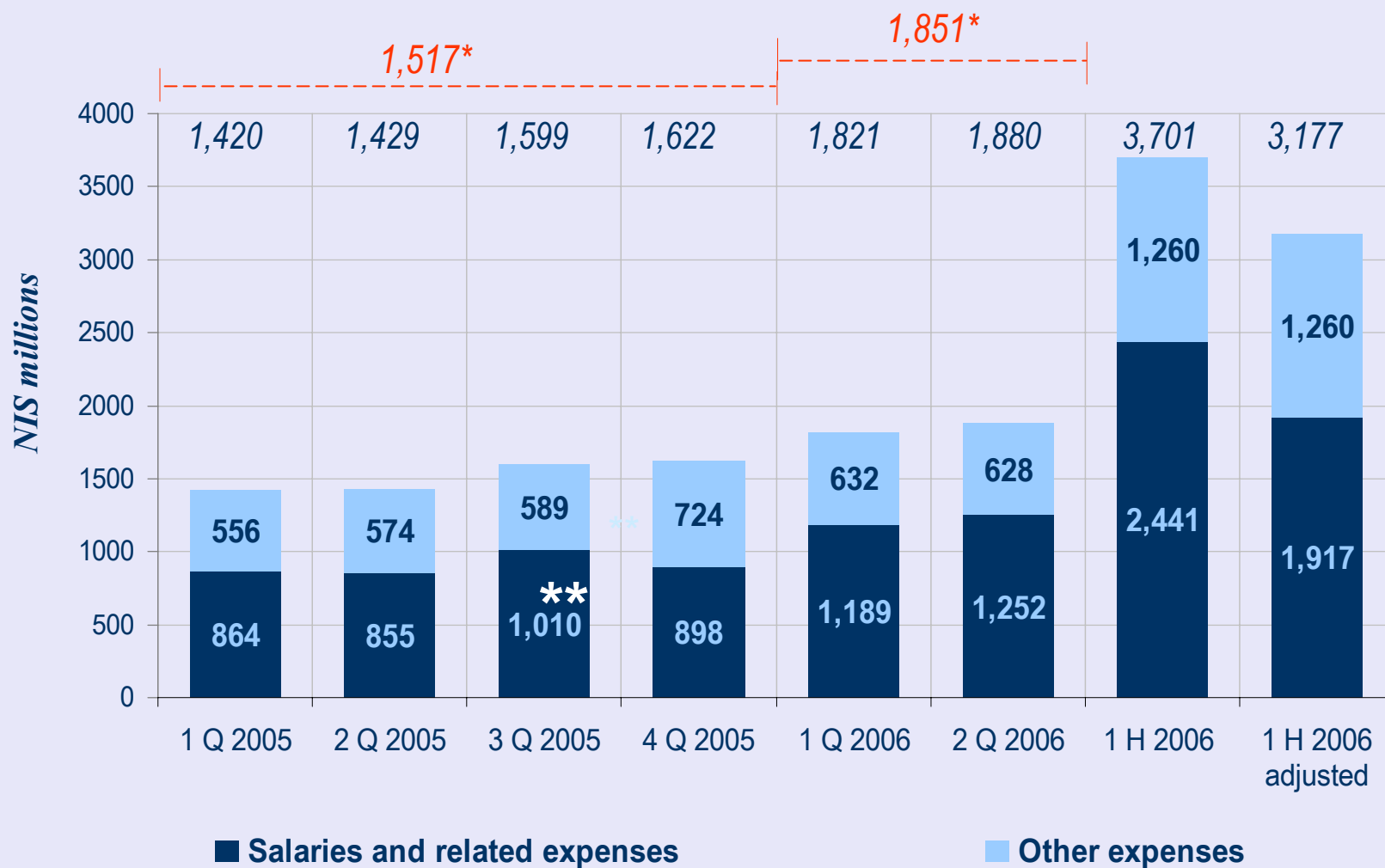
# Problematic Loans

<i>NIS millions</i>	<i>30.06.06</i>	<i>31.12.05</i>	<i>% Change</i>
<b>Non-accrual</b>	2,643	2,431	8.7
<b>Restructured</b>	894	985	(9.2)
<b>To be restructured</b>	1,148	1,070	7.3
<b>In temporary arrears</b>	784	698	12.3
<b>Under special supervision</b>	12,614	12,485	1.0
<b>Total balance sheet credit risk</b>	18,083	17,669	2.3
<b>Off balance sheet credit risk</b>	2,067	2,060	0.4
<b>Other assets</b> in respect of derivatives of problem borrowers	62	154	(59.7)
<b>Total overall credit</b>	20,212	19,883	1.7

# Operating income



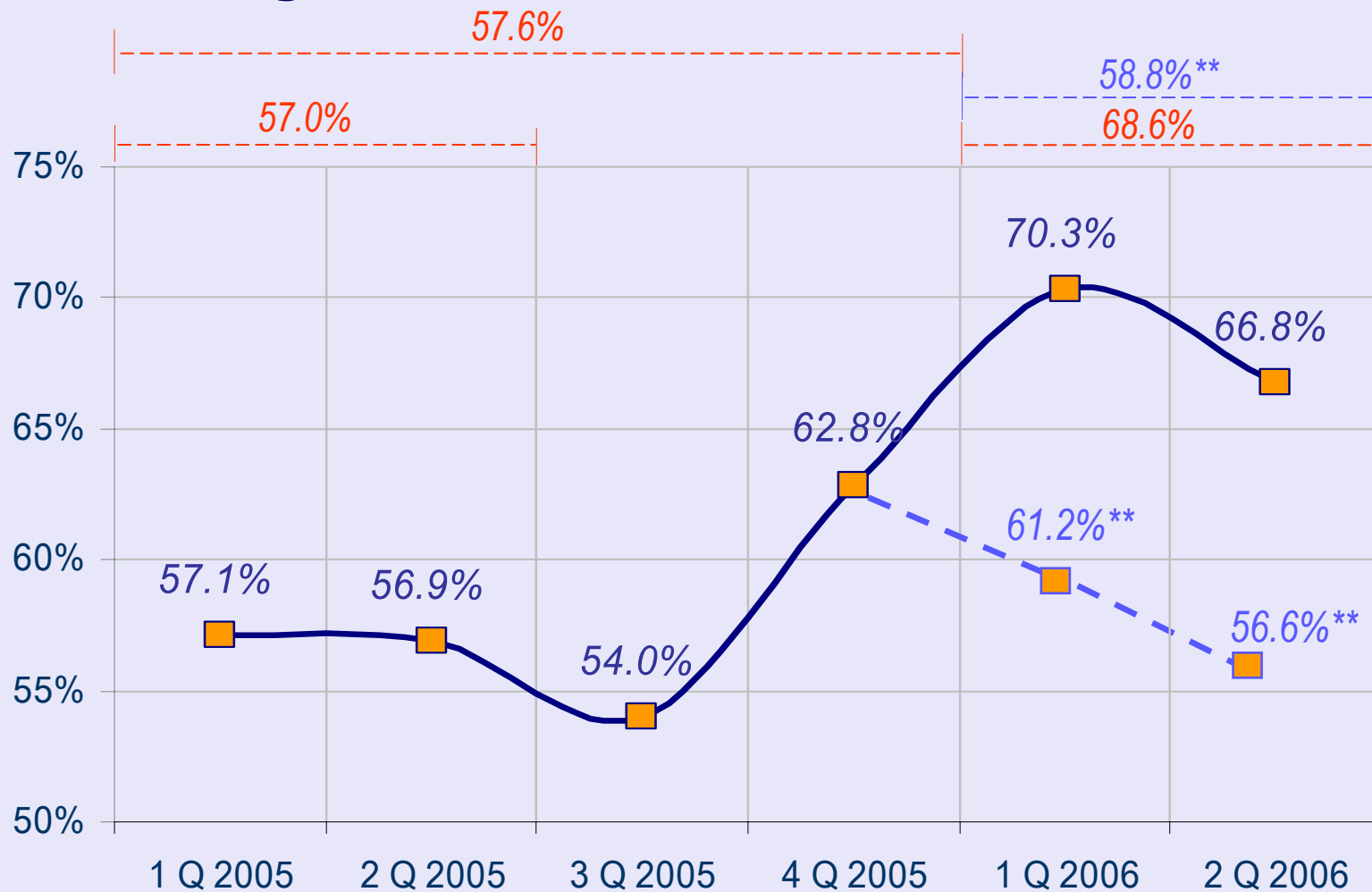
# Operating expenses



# Salary expenses

<i>NIS millions</i>	<i>1Q 2005</i>	<i>2Q 2005</i>	<i>3Q 2005</i>	<i>4Q 2005</i>	<i>1Q 2006</i>	<i>2Q 2006</i>
Provisions for severance payments	18	(18)	0	0	60	(2)
Voluntary retirement	5	1	108	(7)	3	2
Cost of government sale of shares to employees	0	0	0	0	0	191
Cost of options	0	0	0	0	40	48
Provision for mortality tables	0	34	0	0	136	0
Provision for holiday gifts	0	0	0	0	0	89
Reduction of VAT	0	0	0	0	0	(38)
<b>Basic salaries</b>	<b>841</b>	<b>838</b>	<b>902</b>	<b>905</b>	<b>950</b>	<b>962</b>
<b>Total</b>	<b>864</b>	<b>855</b>	<b>1,010</b>	<b>898</b>	<b>1,189</b>	<b>1,252</b>

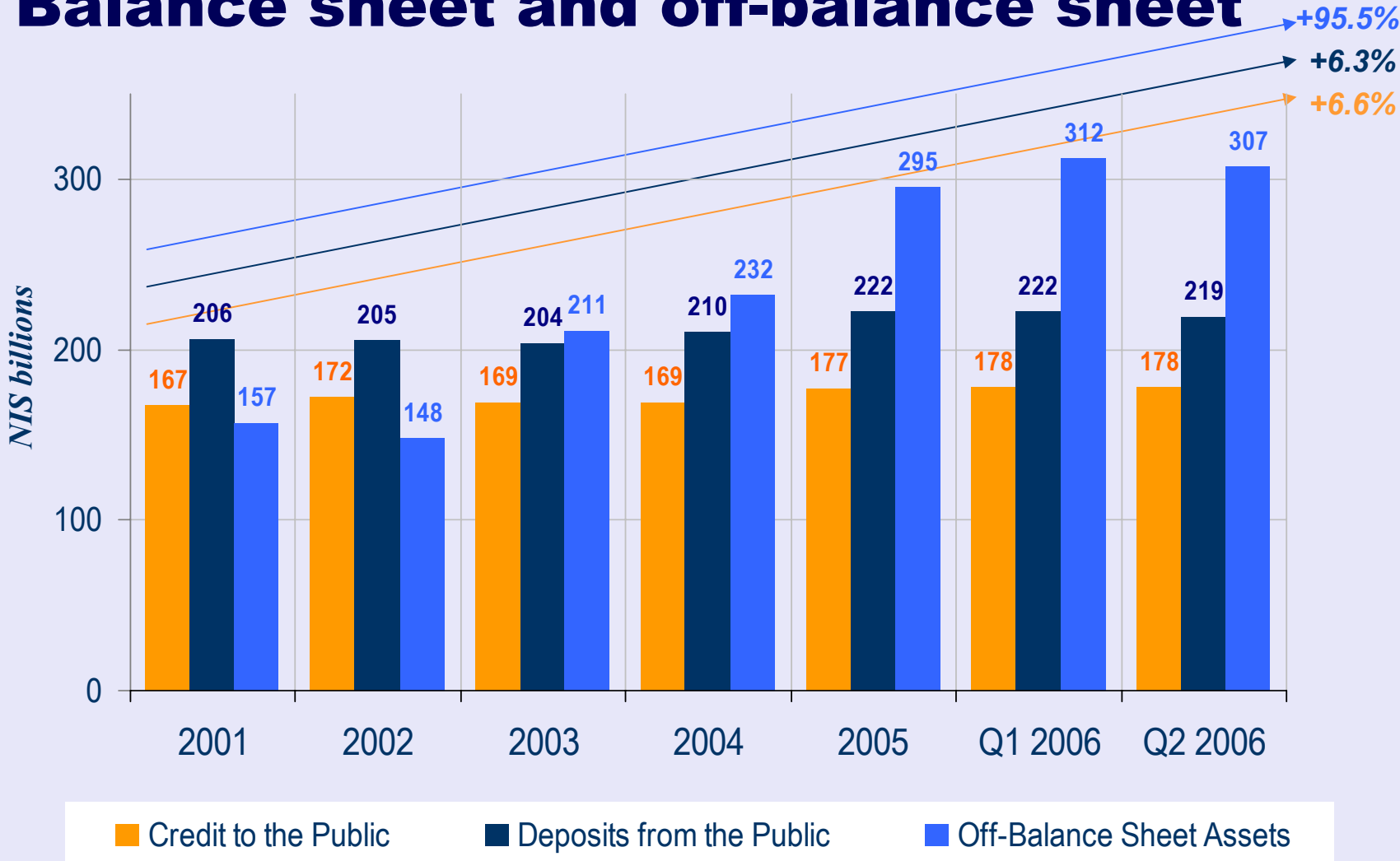
# Efficiency Ratio\*



\*Excluding the costs of voluntary retirement and special salary expenses

\*\* Adjusted

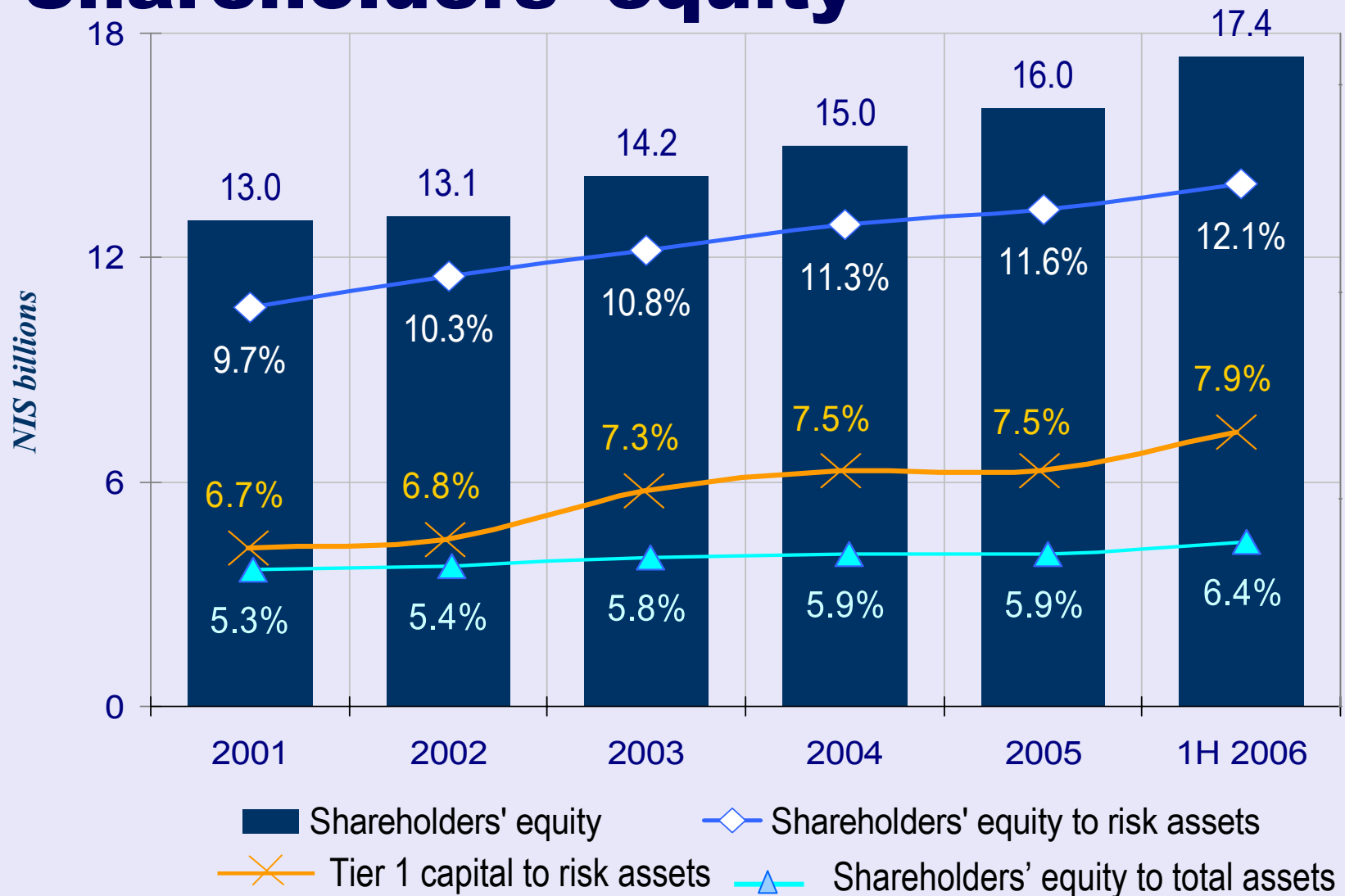
# Balance sheet and off-balance sheet



# Balance Sheet Highlights

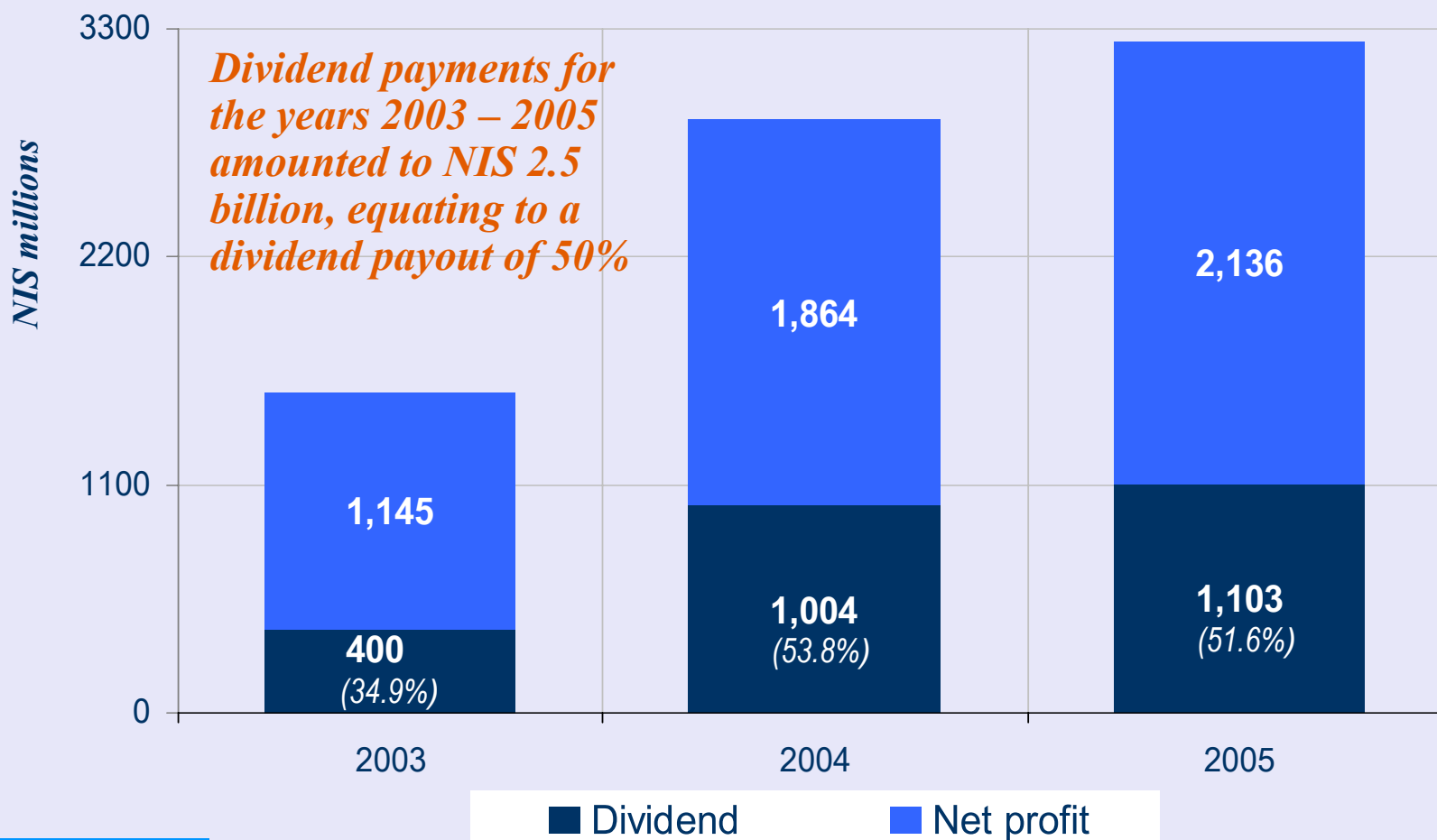
<i>NIS billions</i>	<i>30.06.06</i>	<i>31.12 05</i>	<i>% change</i>
<b>Total assets</b>	272.4	272.8	(0.2)
<b>Credit to the public</b>	178.0	177.3	0.4
<b>Deposits from the public</b>	219.4	221.8	(1.1)
<b>Shareholders' equity</b>	17.4	16.0	8.4
<i>Off-balance sheet items:</i>			
<b>Provident &amp; supplementary training fund assets</b>	49.6	49.2	0.8
<b>Securities portfolio managed by the Leumi Group*</b>	257.4	245.6	4.8
<b>Total managed assets</b>	579.4	567.6	2.1
<b>Total managed assets - US\$</b>	130.5	127.8	2.1

# Shareholders' equity



## Dividend policy for 2006-2007:

The distribution of an annual dividend of at least 50% of the net annual distributable profit of the Bank



# Summary

<i>NIS millions</i>	<i>June 30, 2006</i>	
	<i>Actual</i>	<i>Adjusted</i>
Net operating profit	767	1,147
Rate of change*	-28.5%	5.2%
Return on net operating profit	9.8%	14.9%
Increase in expenses	29.9%	12.9%
Efficiency ratio	68.6%	58.8%
Provision for doubtful debts	0.43%	
BIS	12.1%	
<i>Rate of change*</i>		
Total revenues	8.1%	
Credit to the public	4.9%	
Deposits of the public	1.4%	
Off balance sheet items	19.9%	

\* to June 30, 2005