

# Bank Leumi Group Results

31 March 2004

# IMPORTANT NOTICE

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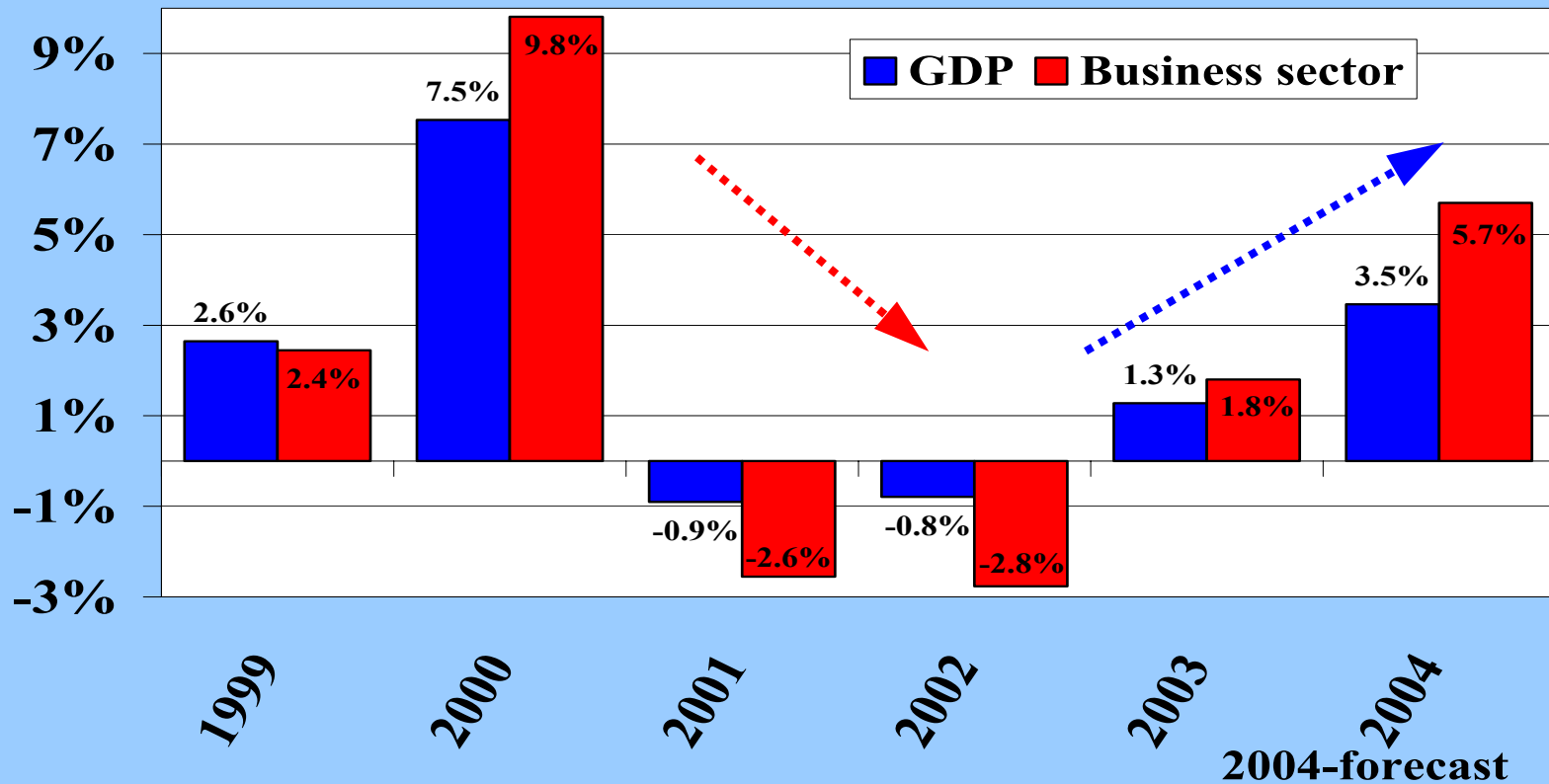
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A sharp recession in 2001-2002; However, during 2003 an export led recovery started and has gained momentum in 2004

### GDP: entire economy and business sector Real term rates of change



# The Israeli Economy in 2003-2004: A gradual transition back to growth, with a "healthy" composition



## MAIN MACROECONOMIC VARIABLES 2001-2003 ACTUAL DATA AND FORECAST FOR 2004

### ANNUAL RATE OF CHANGE, REAL TERMS

	2001	2002	2003	2004
<i>GDP</i>	-0.9%	-0.8%	1.3%	3.5%
<i>Gross product of the business sector</i>	-2.6%	-2.8%	1.8%	5.7%
<i>Private consumption</i>	3.2%	0.1%	1.7%	4.0%
<i>Public consumption</i>	3.4%	5.7%	-1.8%	-1.8%
<i>Investment in fixed assets</i>	-4.8%	-9.2%	-5.0%	0.6%
<i>Exports of goods and services</i>	-11.5%	-3.0%	6.1%	11.8%
<i>Imports of goods and services</i>	-4.5%	-2.3%	-2.3%	9.9%

### MILLIONS OF DOLLARS

<i>Current account</i>	-1,776	-1,337	-206	-1,278
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### PERCENTAGE OF GDP

<i>Current account</i>	-1.6%	-1.3%	-0.2%	-1.1%
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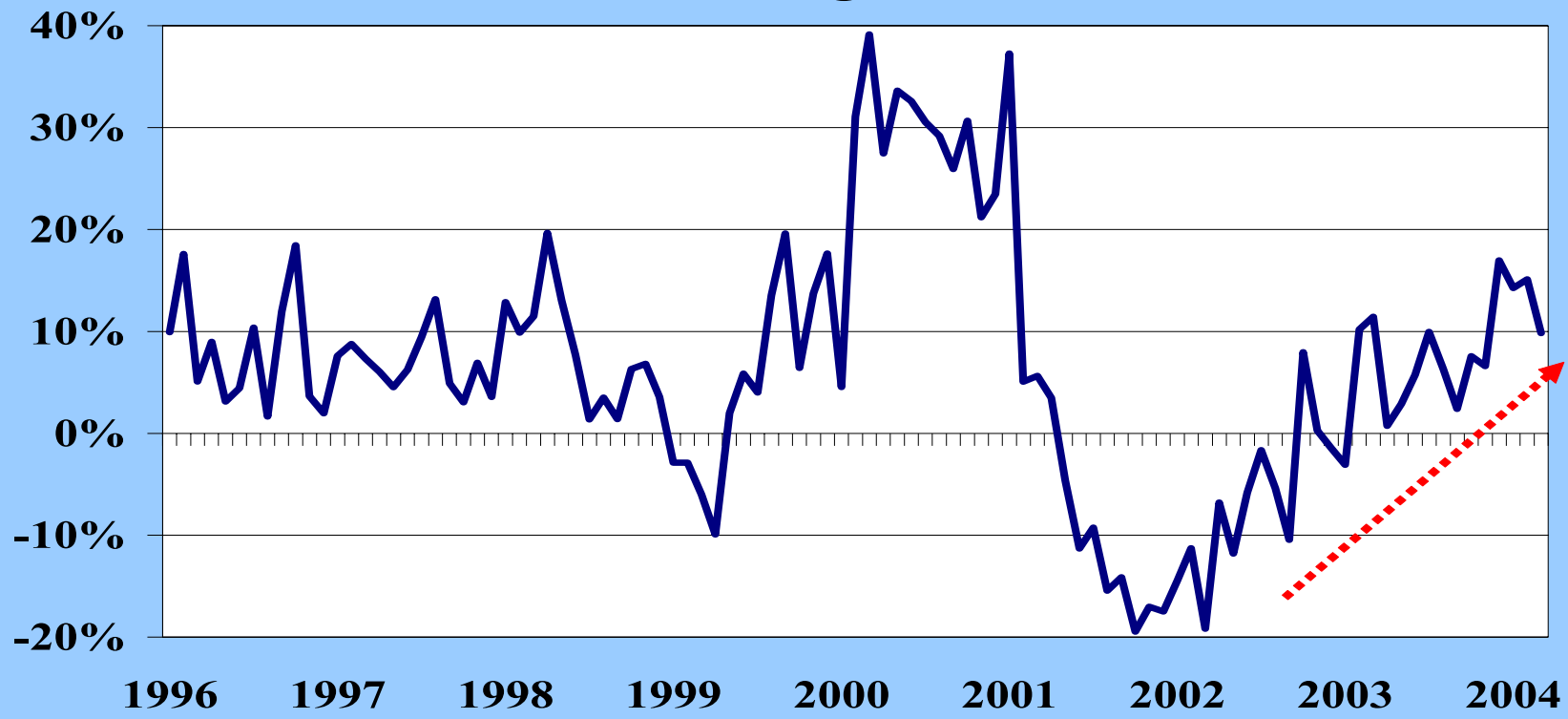
### ANNUAL AVERAGE

<i>Rate of unemployment</i>	9.4%	10.3%	10.7%	10.5%
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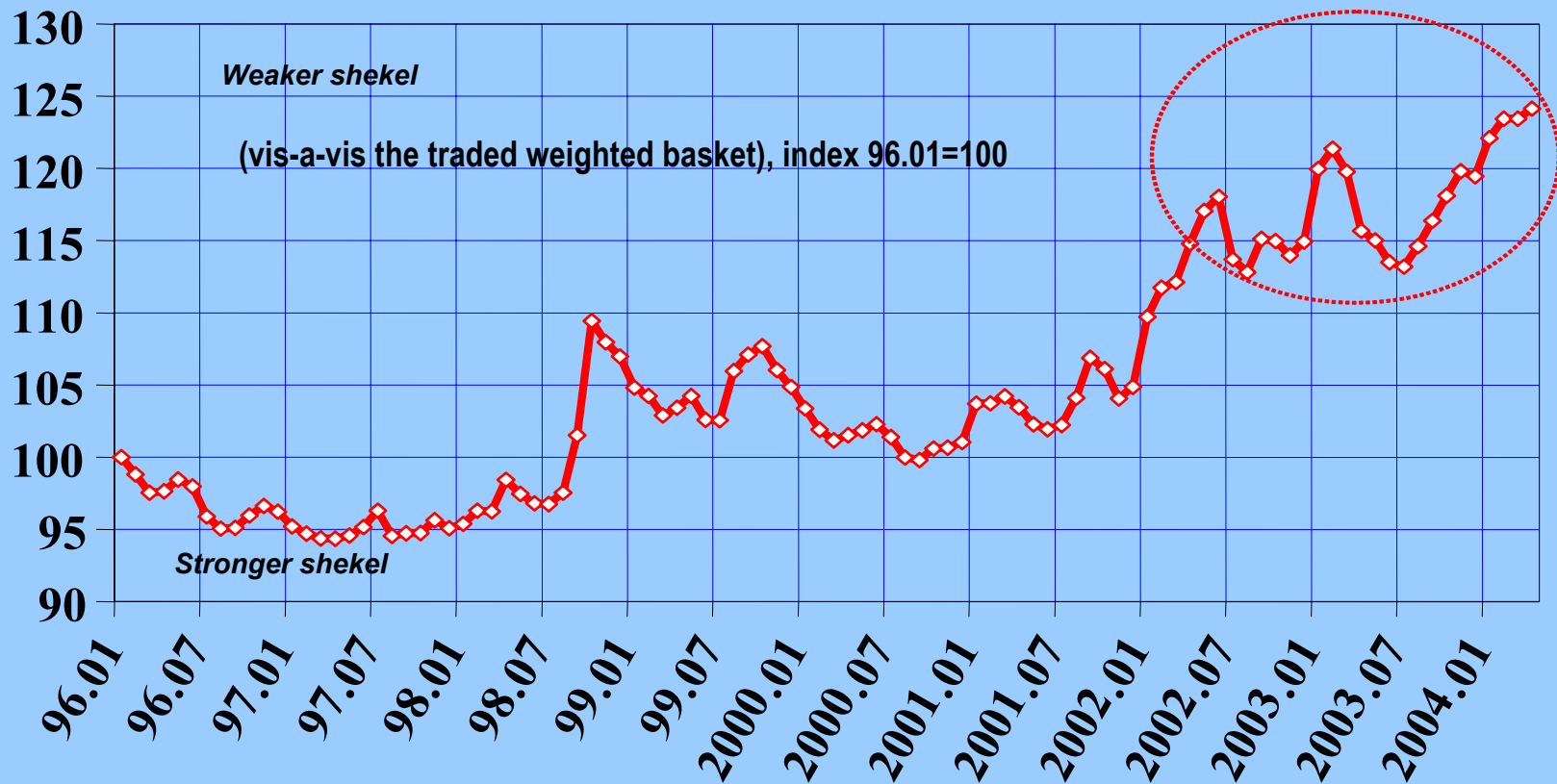
A broad-based recovery of exports; global demand, a rebound of high tech and greater Israeli competitiveness will support this trend



**Industrial exports (excl diamonds)  
Y/Y rate of change, dollar terms**

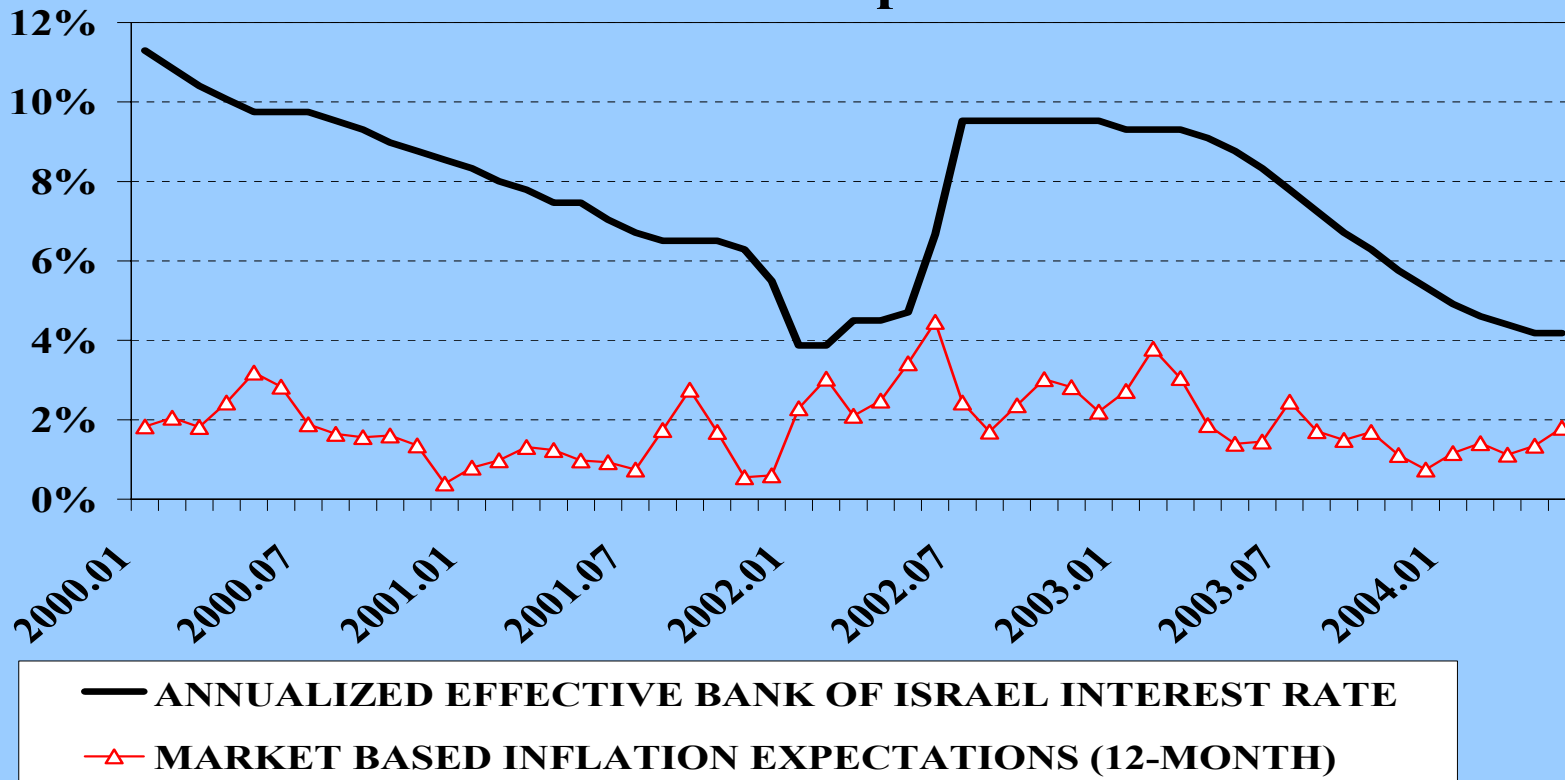


# The real exchange rate of the shekel is at a highly competitive level



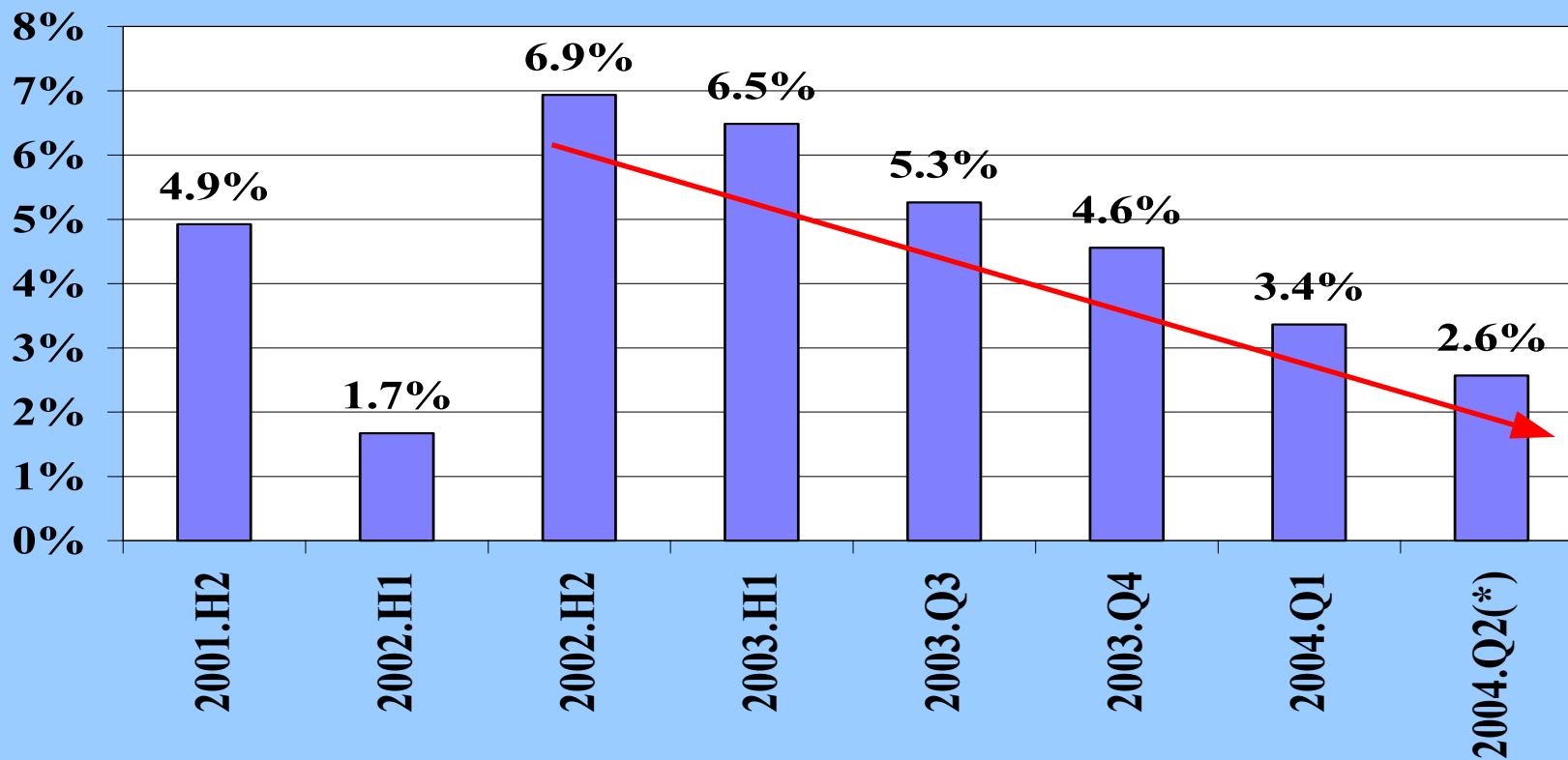
# A gradual and sustainable reduction of the interest rate; balanced policy mix and stronger fundamentals

## The nominal interest rate and inflation expectations



The decline of the real term interest rate will be important both for the bond market and the economy

### Real ex-ante Bank of Israel interest rate period averages



\* Partial data April-May 2004

# Net Profit

NIS millions

	Net Profit		Change	ROE
	Q1 2004	Q1 2003	%	%
2004 NOMINAL DATA 2003 ADJUSTED FOR INFLATION	461	171	169.6	13.6%
NOMINAL DATA	461	237	94.5	

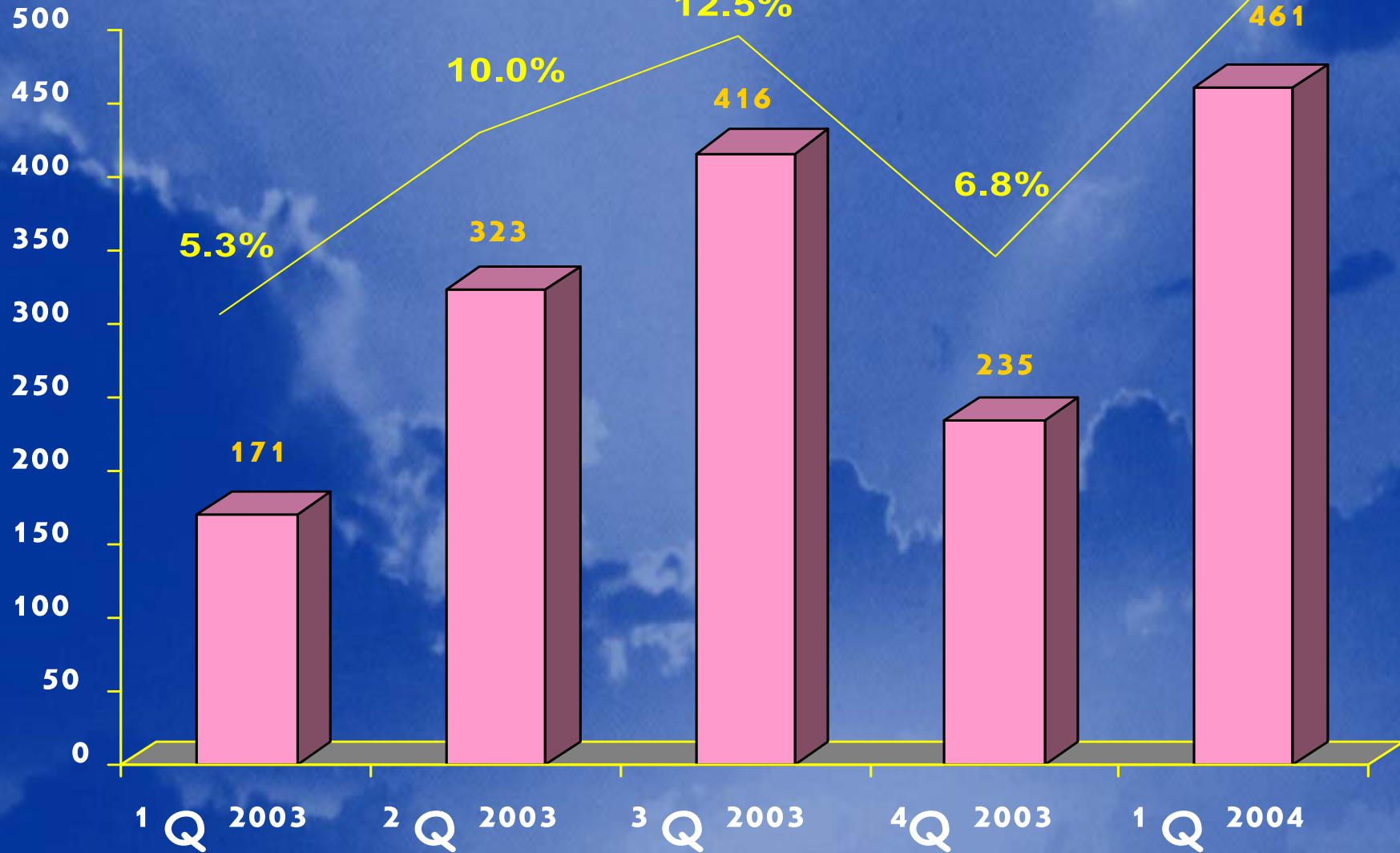
# Main financial data

NIS millions

For the three months ended	March		Change %
	2004	2003	
<i>Net interest income before provision for doubtful debts</i>	1,545	1,524	1.4
<i>Provision for doubtful debts</i>	401	382	5.0
<i>Total operating and other income</i>	845	734	15.1
<i>Total operating and other expenses</i>	1,360	1,465	(7.2)
<i>Companies included on the equity basis</i>	61	35	74.3
<i>Net profit for the period</i>	461	171	169.6

# Development of net profit and ROE \*

NIS millions

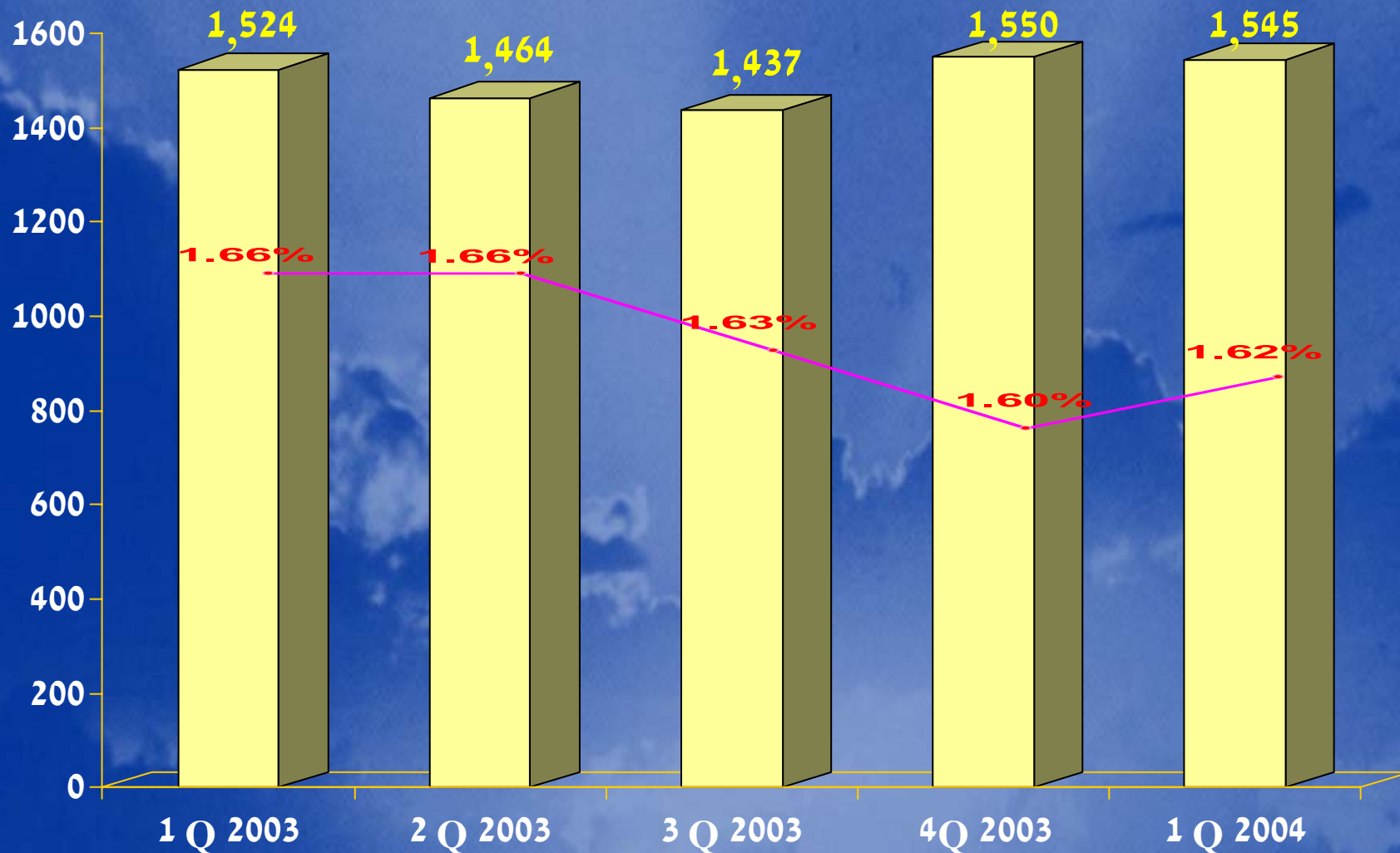


# Development of net interest income and interest margin

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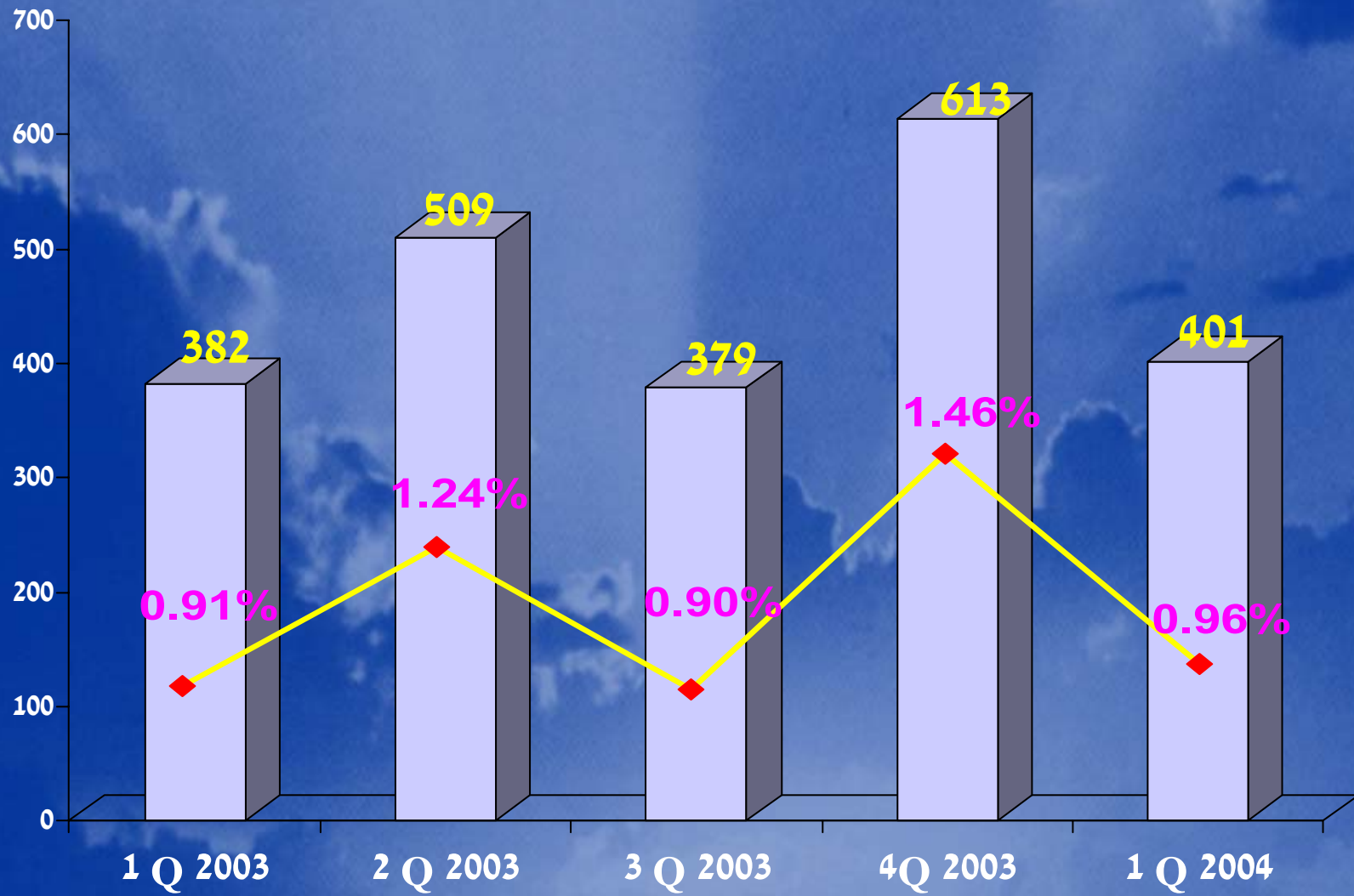
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NIS millions



# Development of quarterly provisions for doubtful debts \*

NIS millions



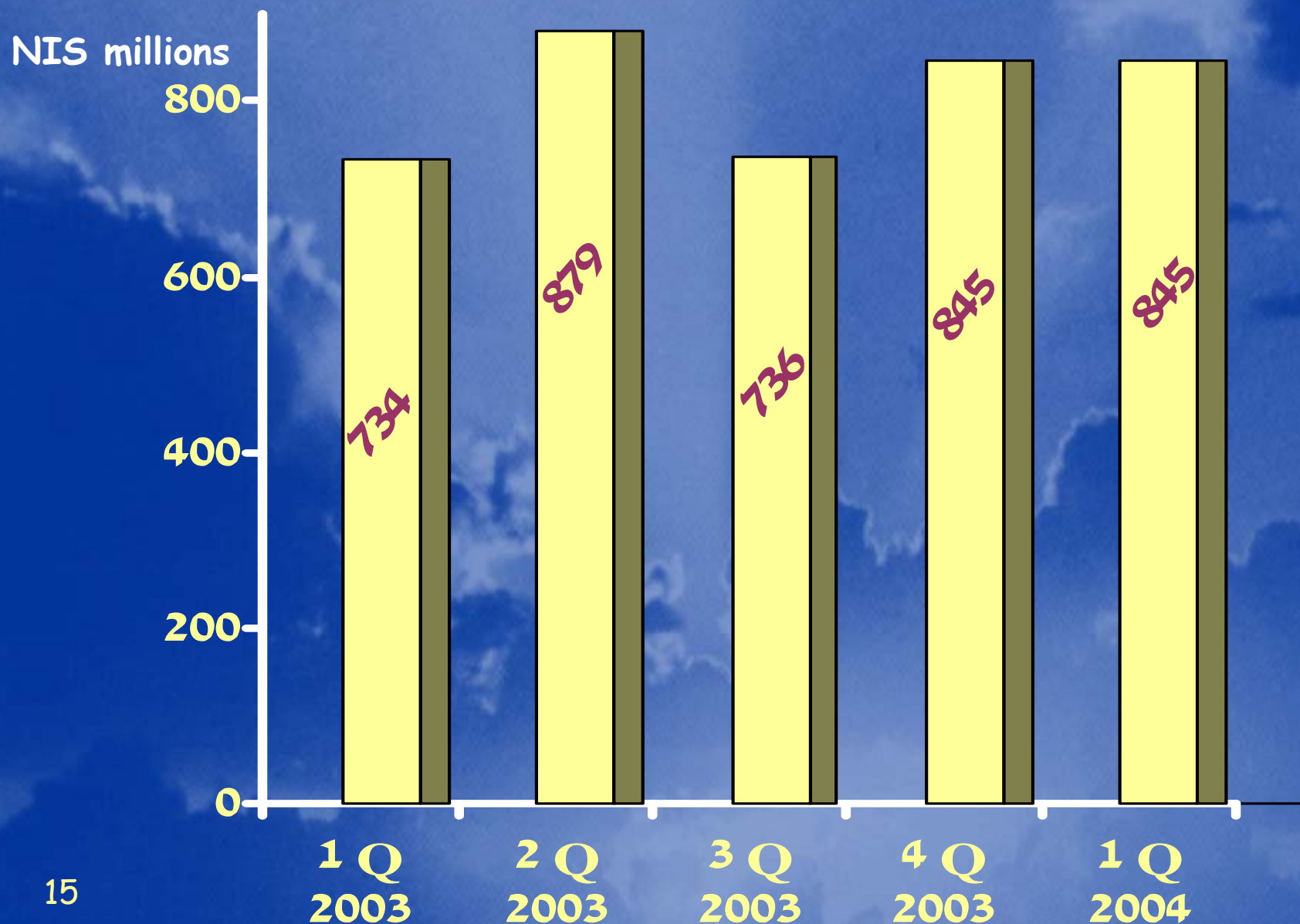
# Problematic loans

NIS millions	31 March 2004	31 March 2003	31 December 2003
<i>Non-accrual</i>	3,511	4,184	3,845
<i>Restructured</i>	739	393	525
<i>To be restructured</i>	196	63	81
<i>In temporary arrears</i>	836	1,483	931
<i>Under special supervision</i>	11,830	10,795	11,120
<i>Total balance sheet credit risk</i>	17,112	16,918	16,502
<i>Off-balance sheet credit risk</i>	1,898	2,119	1,780
<i>Total overall credit risk</i>	19,010	19,037	18,282

# Development of operating income

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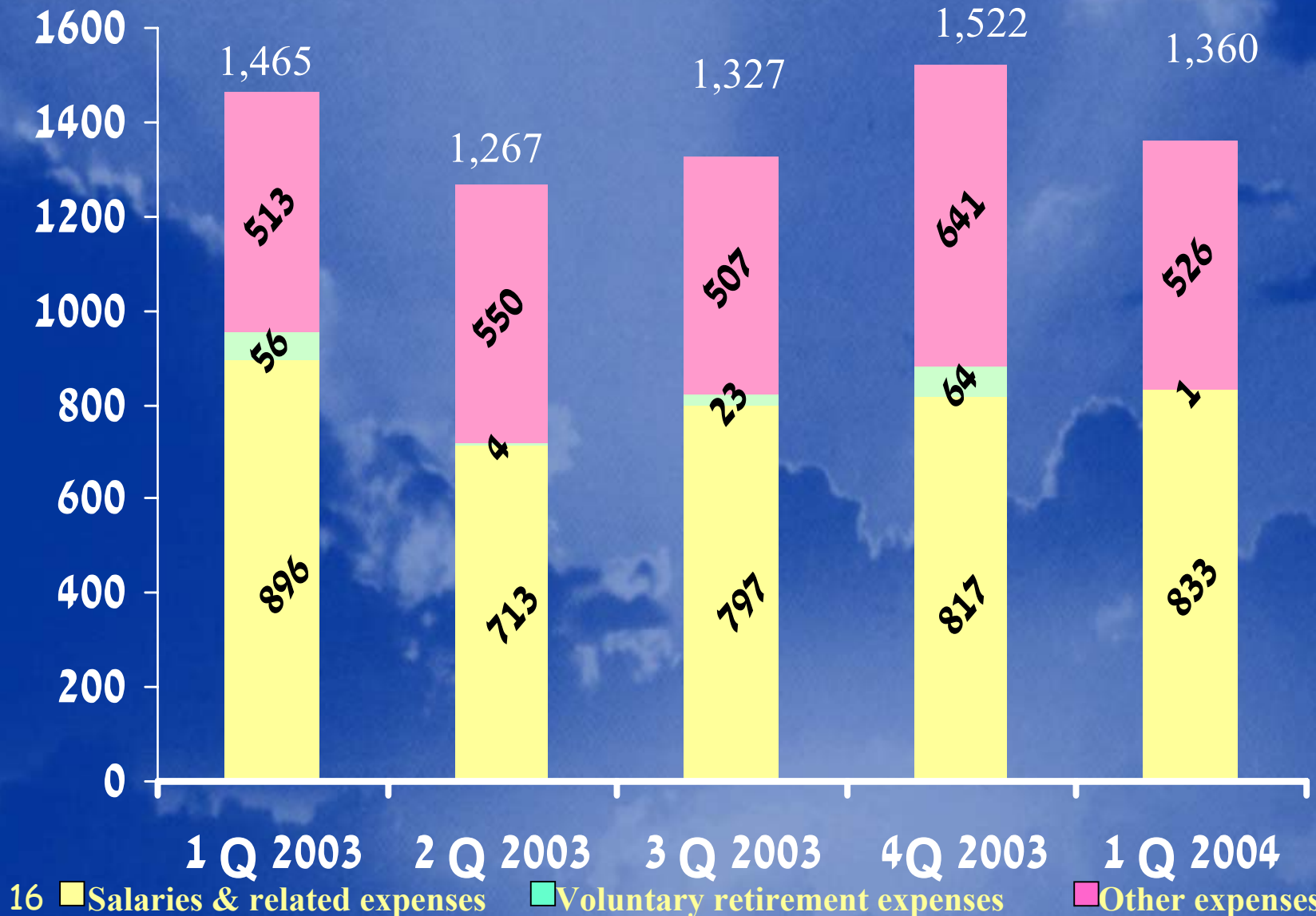


# Development of operating expenses

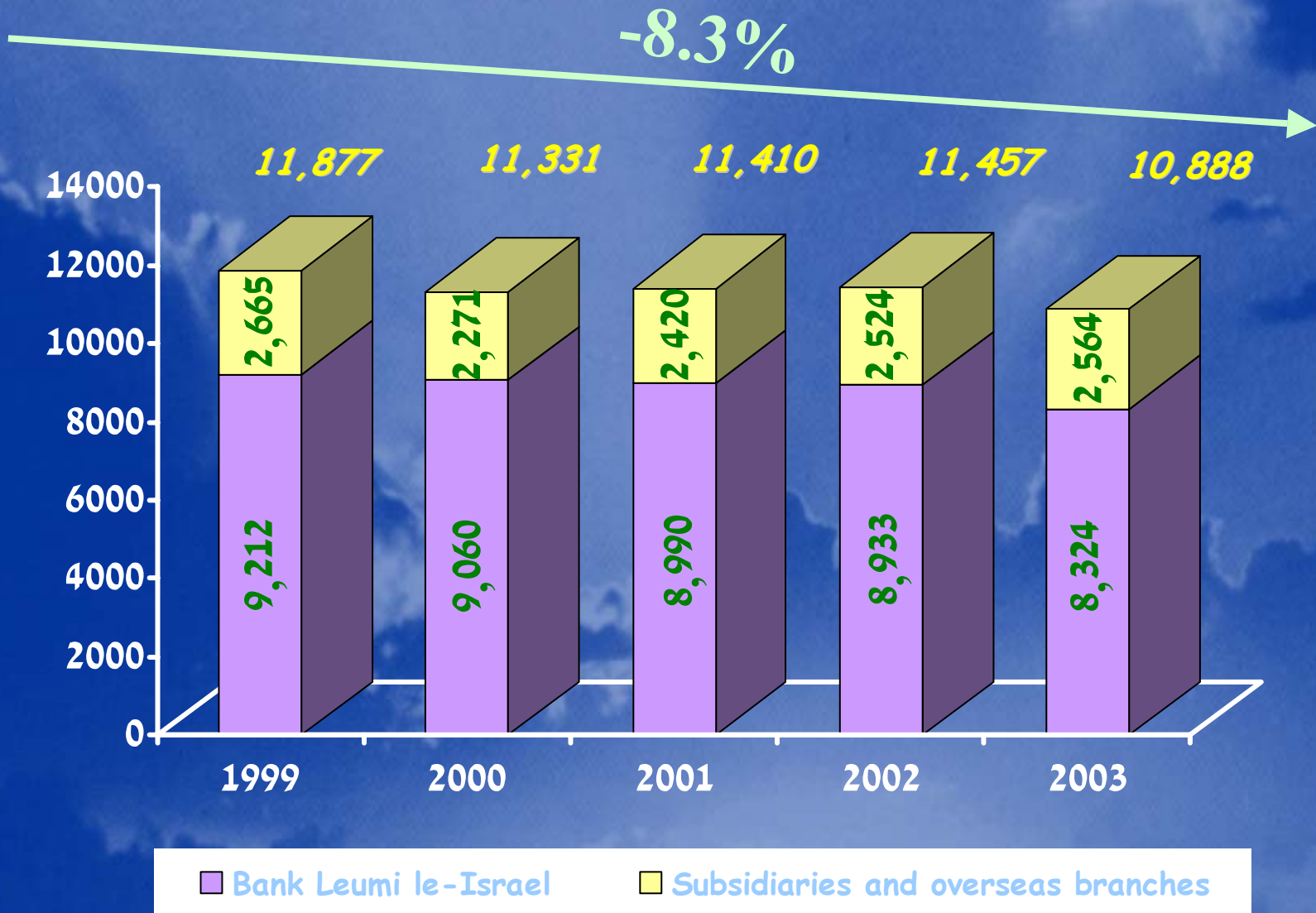
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NIS millions



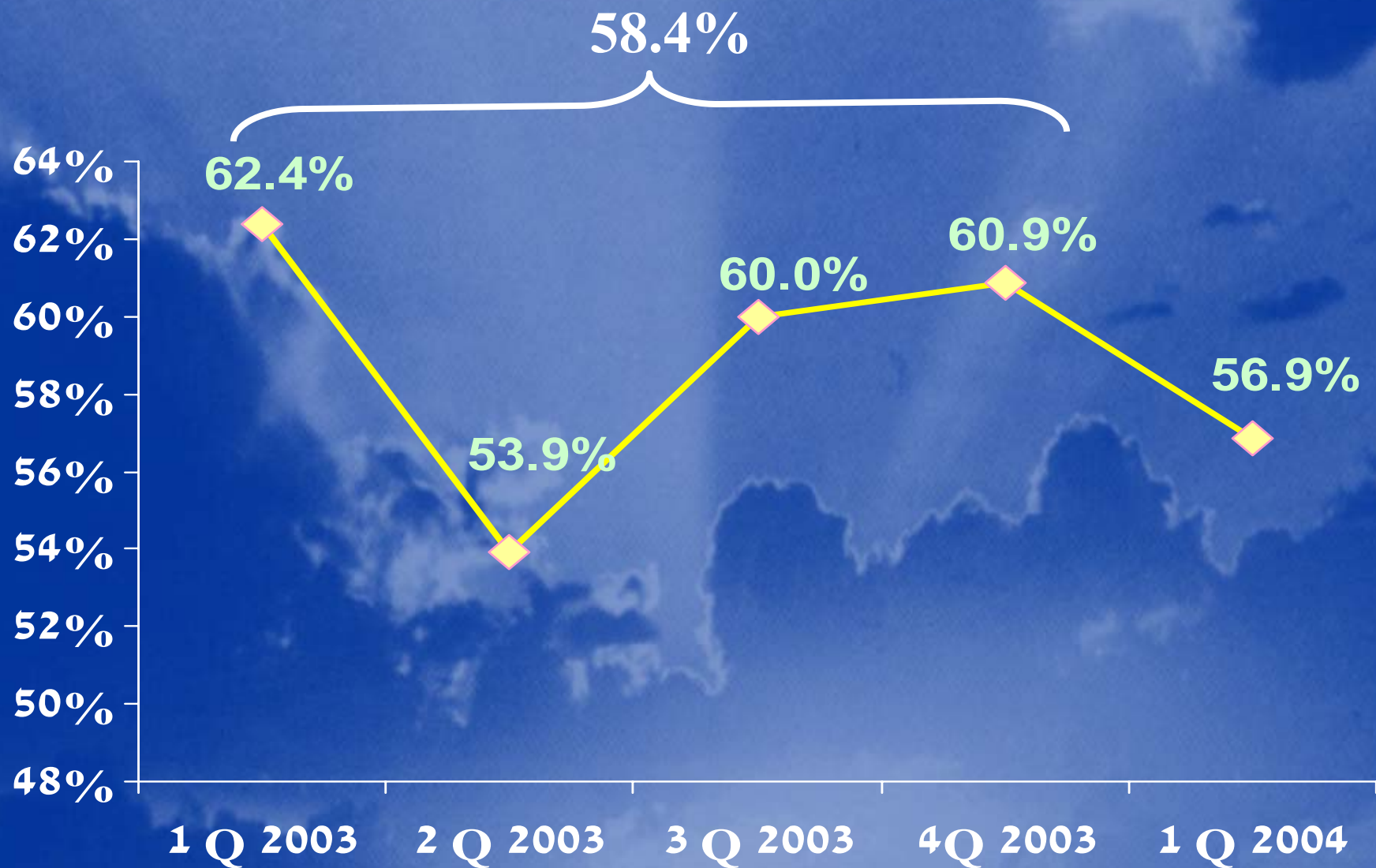
# Employees - Group total: year-end positions



# Development of quarterly efficiency ratio \*

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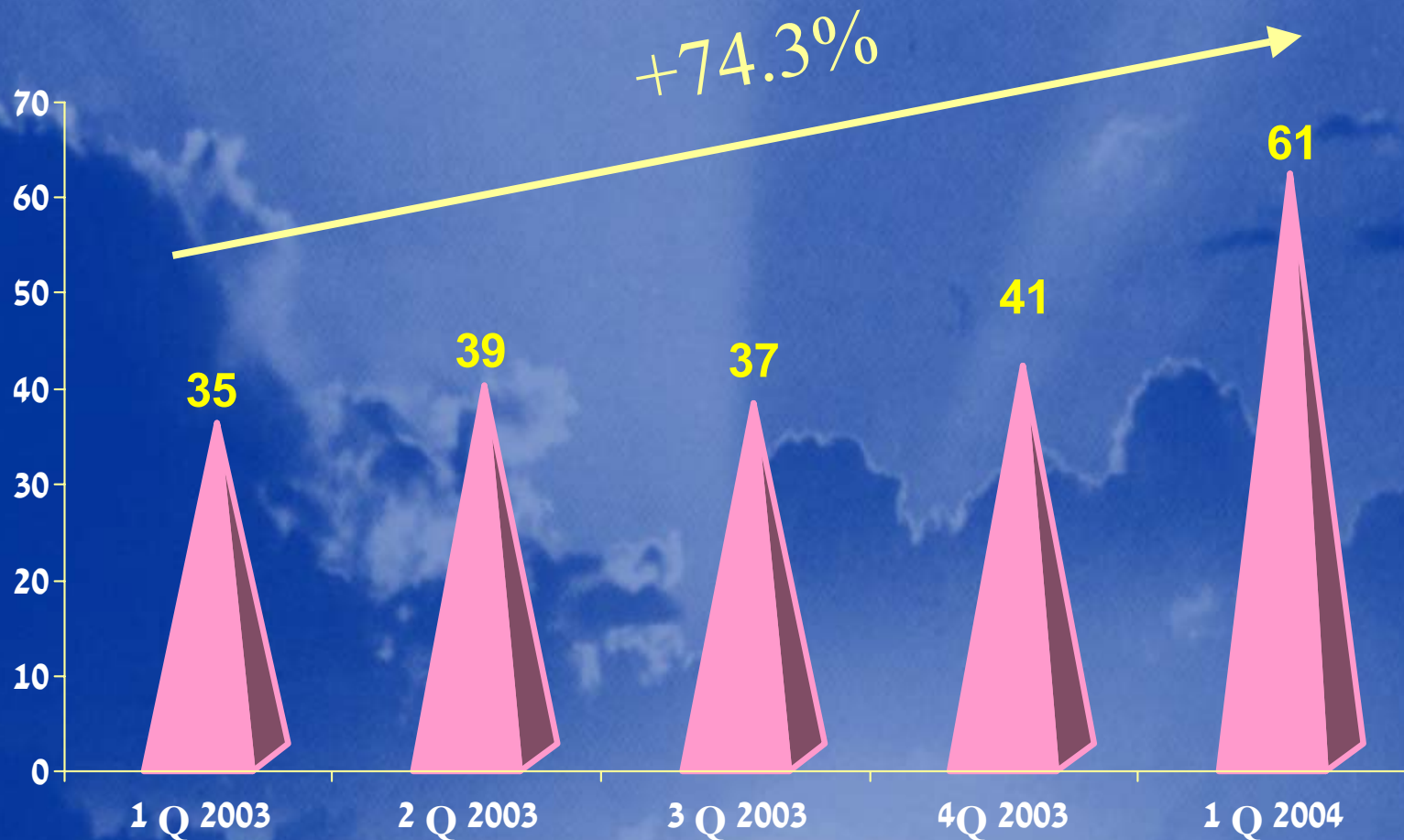


# Companies included on equity basis

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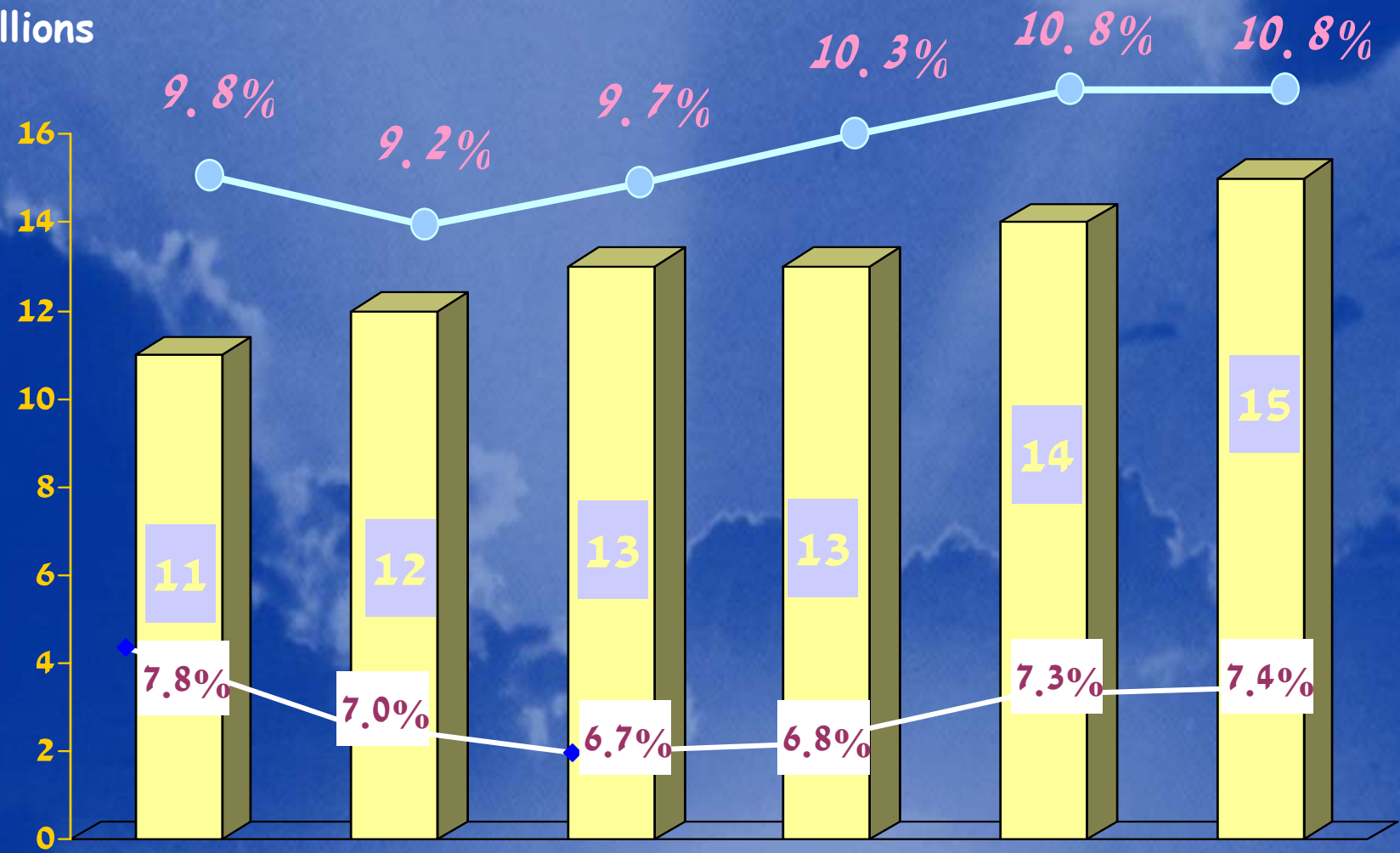
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NIS millions



# Shareholders' equity to risk weighted assets (B.I.S.)

NIS billions



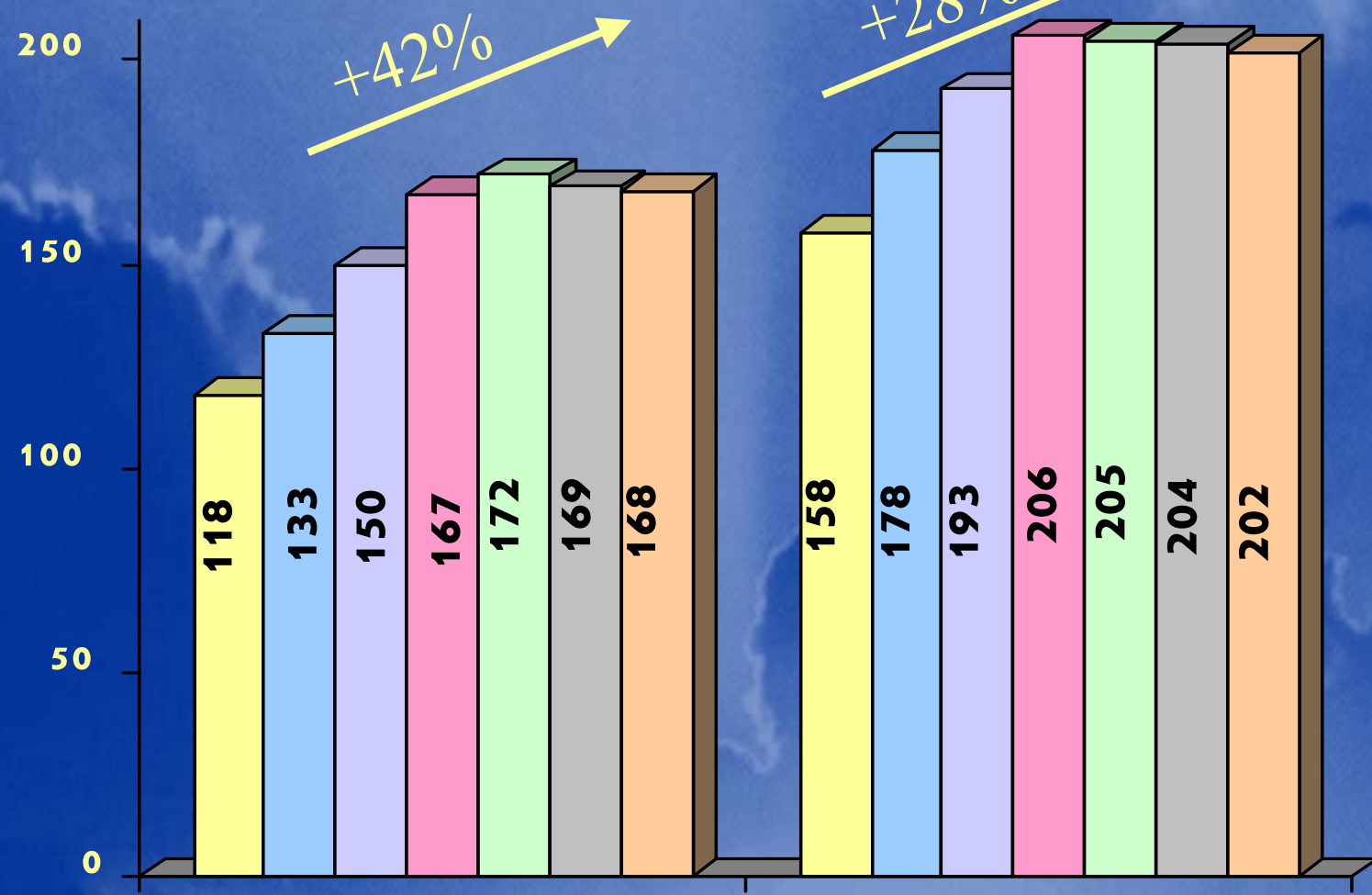
# Balance Sheet Highlights

NIS billions

	<u>31 March</u>		<u>31 December</u>
	2004	2003	2003
<i>Total assets</i>	246.1	240.1	246.6
<i>Credit to the public</i>	168.5	169.0	169.2
<i>Deposits of the public</i>	202.2	201.1	203.6
<i>Shareholders' equity</i>	14.6	13.4	14.2
<i>Off balance sheet items:</i>			
<i>Provident &amp; supplementary training fund assets</i>	39.8	34.8	40.3
<i>Securities portfolio managed by the Leumi Group</i>	166.1	120.3	158.1
<i>Total managed assets</i>	452.0	395.2	445.0
<i>Total managed assets - \$</i>	99.8	87.3	98.3

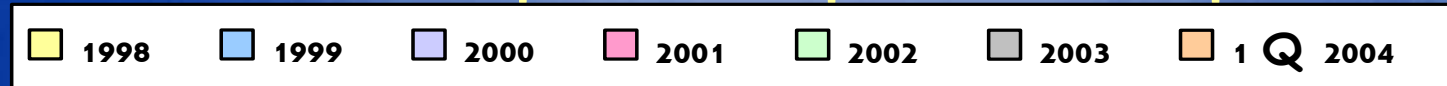
# Development of credit to the public and deposits of the public

NIS billions



Credit to the public

Deposits of the public



# Summary

<i>Net operating profit</i>	463	as at 3/04	an increase of	166.1%	compared with 3/03
<i>Net operating profit to shareholders' equity</i>	13.7%	as at 3/04	compared with	5.4%	as at 3/03
<i>Provision for doubtful debts</i>	401	as at 3/04	an increase of	5.0%	compared with 3/03
<i>Total Revenue</i>	2,390	as at 3/04	an increase of	5.8%	compared with 3/03
<i>Efficiency ratio (excluding voluntary retirement)</i>	56.9%	as at 3/04	compared with	62.4%	as at 3/03
<i>Shareholders' equity to risk weighted assets</i>	10.8%	as at 3/04	compared with	10.8%	as at 3/03
<i>Credit to the public</i>		a decrease of		(0.3%)	compared with 3/03
<i>Deposits of the public</i>		an increase of		0.5%	compared with 3/03

# *Leumi. Tomorrow, Today.*

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Leumi is a strong local and global brand

Leumi has a focused strategy and proven ability to implement it

Leumi is poised to take full advantage of the economic recovery

Leumi has diverse sources of income

Leumi invests in infrastructure and technology for dealing with future competition

Leumi has managerial breadth and depth