

March 29, 2006

FINANCIAL STATEMENTS OF THE LEUMI GROUP FOR 2005

**LEUMI POSTS THE HIGHEST NET PROFIT IN ITS HISTORY:
NIS 2,136 MILLION (\$464 MILLION), AN INCREASE OF 14.6%
COMPARED WITH 2004**

**NET RETURN ON EQUITY IN 2005:
14.3% COMPARED WITH 13.1% IN 2004**

**NET PROFIT IN THE FOURTH QUARTER OF 2005: NIS 462 MILLION
(\$100 MILLION), AN INCREASE OF 34% COMPARED WITH
THE CORRESPONDING QUARTER OF 2004**

Chairman of the Board of Directors, Eitan Raff:

"2005 was the most profitable year ever for Leumi, due to the high quality of management which facilitated the Group's continued improvement in growth and efficiency in all aspects and areas of its activities, and also the continuing improvement in the economy. Due to the Group's performance, it is attractive in the market and enjoys the trust of Israeli and foreign investors alike – proof of which we can see in the high premium garnered by the State in the sale of Leumi shares to the Cerberus-Gabriel Group. In light of reforms and regulatory restrictions the entire banking system can be expected to change in the coming years, however we are determined to seize new opportunities to provide our customers with the highest value for their money, and to create ever-better value for our shareholders over time."

President and CEO of the Leumi Group, Galia Maor:

"The excellent achievements of Leumi in 2005 are an expression of the realization of the consistent and successful strategy of the Group over the last decade. The results demonstrate increased efficiency and progress throughout the years while maintaining a high level of capital adequacy, continuously improving the scope of the Group's activities and high profitability and maintaining a good working relationship between management and the employees."

Record profits are expected in 2006 due to the sale of real assets and companies in the capital market, however, the Group will lose important sources of continuous income. All these necessitate substantial changes in Leumi's operational priorities and we are prepared for this by providing focused answers to the needs of all customer sectors and by deepening and broadening profitable operations, developing new areas of operation and investigating ways to broaden international activity."

The Leumi Group today published its audited consolidated financial statements for 2005, posting a net profit for the Group amounting to NIS 2,136 million (\$464 million), compared with NIS 1,864 million (\$405 million) in 2004, an increase of 14.6%. The net operating profit in 2005 amounted to NIS 2,059 million (\$447 million), an increase of 8.1% in relationship to the previous year. Net return on equity in 2005 reached 14.3%, compared with 13.1% in 2004.

In the fourth quarter of 2005, net profit of the Leumi Group amounted to NIS 462 million (\$100 million), compared with NIS 345 million (\$75 million) in the same period last year, an increase of some 34%.

Development of net profit and net RoE (in NIS millions)



The increase in net profit in 2005 is primarily explained by the following factors:

- An increase in profit from net interest income before provision for doubtful debts in the sum of NIS 269 million (\$58 million), before the effect of tax.
- An increase in operating and other income of NIS 315 million (\$68 million), before the effect of tax.
- A decrease in the provision for doubtful debts in the sum of NIS 88 million (\$19 million), before the effect of tax.
- An increase in extraordinary income in the sum of NIS 85 million (\$18 million).

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

- An increase in operating and other expenses in the sum of NIS 582 million (\$126million), before the effect of tax, NIS 93 million (\$20 million) of which was due to the cost of voluntary retirement. The increase in operating expenses is primarily explained by the increase in salary expenses, including bonuses, changes in salary tax definitions and an increase in other expenses, including depreciation, building maintenance, etc.
- A net decrease of NIS 32 million (\$7 million) in the Group's share in the profits of companies included on the equity basis. It should be stated that the capital market reform and its consequences, including the sale of several non-banking corporations, have not been expressed in 2005 and their influence will be evident in 2006.

Additional Data:

- Total assets under management of the Leumi Group, balance sheet and off-balance sheet, reached NIS 565 billion (\$123 billion) on December 31, 2005, an increase of 16% compared with December 31, 2004.
- Total assets of the Leumi Group on December 31, 2005 amounted to some NIS 273 billion (\$59 billion), an increase of 6.7% compared with December 31, 2004.
- Credit to the public on December 31, 2005 amounted to some NIS 177 billion (\$38 billion), an increase of 4.7% compared with December 31, 2004.
- Deposits from the public on December 31, 2005 amounted to some NIS 222 billion (\$48 billion), an increase of 5.8% compared with December 31, 2004.
- Shareholders' equity on December 31, 2005 amounted to NIS 16 billion (\$3.5 billion), an increase of some 6.8% compared with December 31, 2004.
- The ratio of shareholders' equity to risk assets (capital adequacy) reached 11.55% on December 31, 2005, compared with 11.25% on December 31, 2004.

Dividend for 2005

The Special General Meeting which convened on February 2, 2006, approved the distribution of a cash dividend in the amount of NIS 1,103 million (\$240 million) which was paid on February 28, 2006. On March 29, 2006 the Board of Directors decided that the dividend policy for the next two years would be the distribution of at least 50% of the net profit.

Leumi and the Community

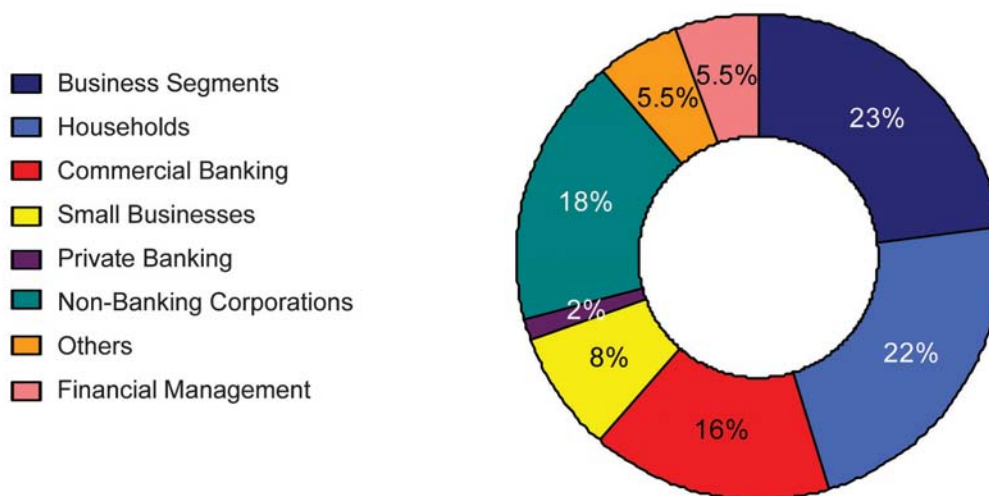
In 2005 the Leumi Group contributed approximately NIS 15.9 million for various society and community goals (compared with NIS 12.9 million in 2004). Most of the contributions were in the fields of education, training and in meeting the needs of young people by providing support and guidance. The Group's involvement in the community is mainly through "Leumi Tomorrow - The Centennial Fund for Endowing Israel's Future Generation." This fund was established for investing in young people by operating educational projects which combine the acquisition of learning, national pride and personal fulfillment with the object of enabling these young people to realize their full potential in society and the business world.

Principal Operational Segments

- The **Business Segments** contributed an aggregate profit of some NIS 477 million (\$104 million), constituting 23% of the Group's total net profit. From these, **Corporate Banking** contributed to the Leumi Group net profit in the amount of some NIS 226 million (\$49 million), which constitutes some 11% of the total net profit of the Group and **Construction and Real Estate** contributed to the Leumi Group a net profit of some NIS 251 million (\$55 million), which constitutes some 12% of the total net profit of the Group.
- **Commercial Banking** contributed to the Leumi Group net profit in the amount of some NIS 346 million (\$75 million), which constitutes some 16% of the net profit of the Group.
- **Households** contributed to the Leumi Group net profit in the amount of some NIS 466 million (\$101 million), which constitutes some 22% of the Group's net profit.
- **Small Businesses** contributed to the Leumi Group net profit in the amount of some NIS 172 million (\$37 million), which constitutes 8% of the Group's net profit.
- **Financial Management** contributed to the Leumi Group net profit in the amount of some NIS 117 million (\$25 million), which constitutes 5.5% of the Group's net profit.

- **Non-banking (Real) Corporations** contributed to the Leumi Group net profit in the amount of NIS 378 million (\$82 million), which constitutes 18% of the Group's net profit.

Contribution of Operational Segments to the Group's Profits



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 December 31, 2005 of NIS 4.603.

LEUMI GROUP– SELECTED DATA

Profit and profitability (in NIS millions)	Year ending 31 December					
	2005	2004	2003	2002	2001	% change 2001-2005
Net interest income before provision for doubtful debts	6,628	6,359	5,975	5,083	5,463	21.3
Provision for doubtful debts	1,426	1,514	1,883	1,907	1,549	(7.9)
Operating and other income	3,718	3,403	3,216	2,896	2,823	31.7
Operating and other expenses	6,070	5,488	5,603	5,252	5,314	14.2
Operating profit after taxes	1,657	1,516	1,016	558	892	85.8
Net operating profit	2,059	1,904	1,159	413	918	124.3
Net profit for the period	2,136	1,864	1,145	422	919	132.4
Net operating profit to shareholders' equity	13.7%	13.4%	8.8%	3.2%	7.8%	
Net profit to shareholders' equity	14.3%	13.1%	8.7%	3.3%	7.8%	
Earnings per share (in NIS)	1.510	1.318	0.810	0.298	0.650	

Balance sheet (in NIS millions)	Year ending 31 December					
	2005	2004	2003	2002	2001	% change 2001-2005
Total assets	272,824	255,782	246,585	243,520	244,772	11.5
Credit to the public	177,255	169,353	169,151	171,761	166,946	6.2
Deposits from the public	221,828	209,652	203,586	205,001	206,448	7.4
Shareholders' equity	16,000	14,986	14,213	13,147	12,972	23.3

Financial ratios (in %)	Year ending 31 December					
	2005	2004	2003	2002	2001	
Credit to the public to total assets	65.0	66.2	68.6	70.5	68.2	
Deposits from the public to total assets	81.3	82.0	82.6	84.2	84.3	
Shareholders' equity to total assets	5.9	5.9	5.8	5.4	5.3	
Total shareholders' equity to risk assets	11.55	11.25	10.79	10.31	9.74	
Tier I capital to risk assets	7.46	7.53	7.29	6.83	6.70	
Provision for doubtful debts from credit to the public	0.80	0.89	1.11	1.11	0.93	
Financial margin including income and expenses from derivatives	1.60	1.76	1.61	1.79	1.80	
Operating expenses (excluding costs of voluntary retirement) to total income (efficiency ratio)	57.6	56.1	59.4	61.6	61.5	