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leumi

# The Leumi Group

## Financial Results 2005

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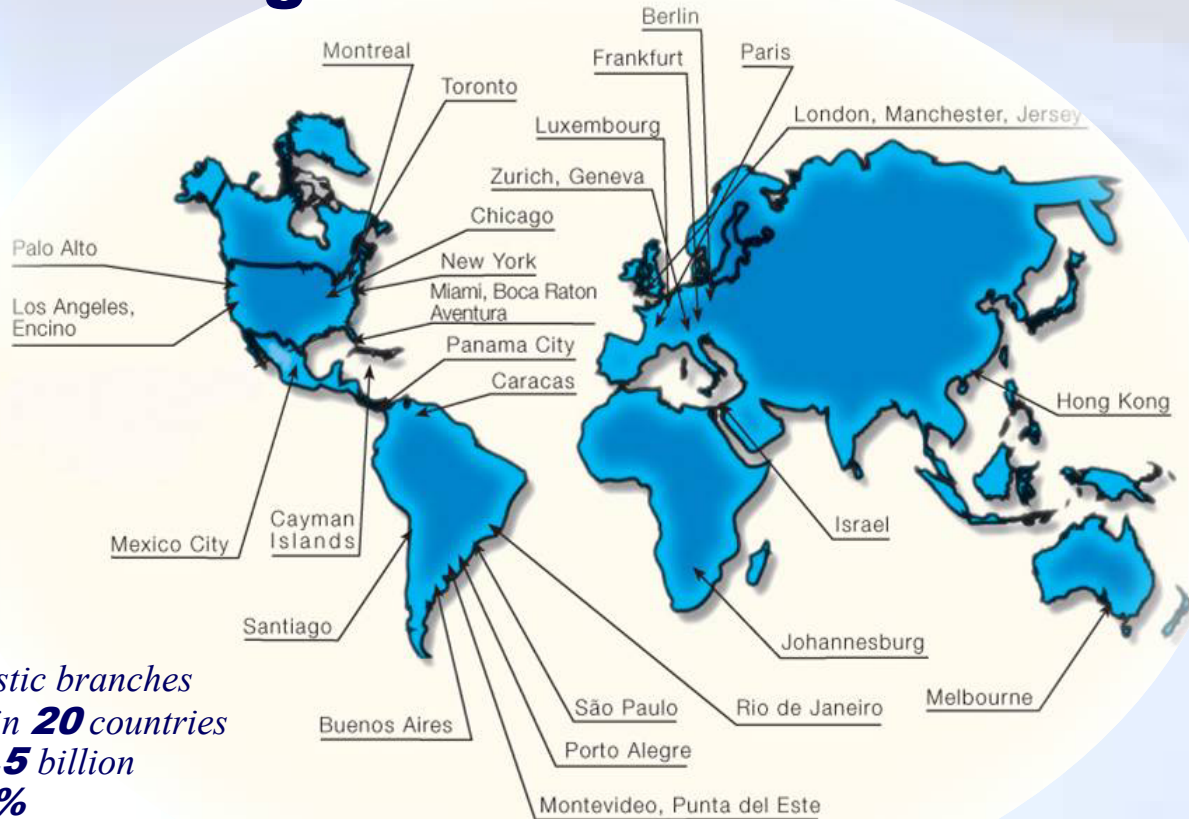
# Main macroeconomic variables

		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006 Forecast</u>
<i>Annual rates of change in real terms</i>	GDP	1.7%	4.4%	5.2%	4.3%
	Gross product of the business sector	2.5%	6.3%	6.6%	5.5%
	Private consumption	0.9%	5.0%	3.9%	4.5%
	Public consumption	-2.3%	-2.4%	2.0%	1.0%
	Investment in fixed assets	-4.5%	-0.2%	2.4%	2.8%
	Export of goods and services	7.5%	17.4%	5.6%	6.9%
	Import of goods and services	-1.7%	11.8%	4.0%	3.7%
<i>Percentage of GDP</i>	Current account	0.7%	1.6%	1.9%	1.8%
	Unemployment rate	10.7%	10.4%	9.0%	8.5%

# Main financial parameters

	2003	2004	2005	2006 forecast
<b>Consumer price index</b> <i>(year end rate)</i>	-1.9%	1.2%	2.4%	1.5-2.5%
<b>ILS/USD exchange rate</b> <i>- annual average</i>	4.55	4.48	4.49	4.6-4.7
<b>Bank of Israel interest rate</b> <i>- annual average</i>	7.5%	4.2%	3.7%	5.0-5.5%
<b>Bank of Israel interest rate</b> <i>- year end</i>	5.2%	3.9%	4.5%	5.25-5.75%
<b>10-year Shekel bond (Shachar)</b> <i>- yield to maturity - year average</i>	8.6%	7.7%	6.4%	6.3-6.8%

# Israel's leading international bank



**235** domestic branches  
**51** offices in **20** countries  
Equity: \$ **3.5** billion  
BIS: **11.6%**  
Assets: \$ **59.3** billion  
Total assets under management: \$ **123** billion

As of 31 December 2005

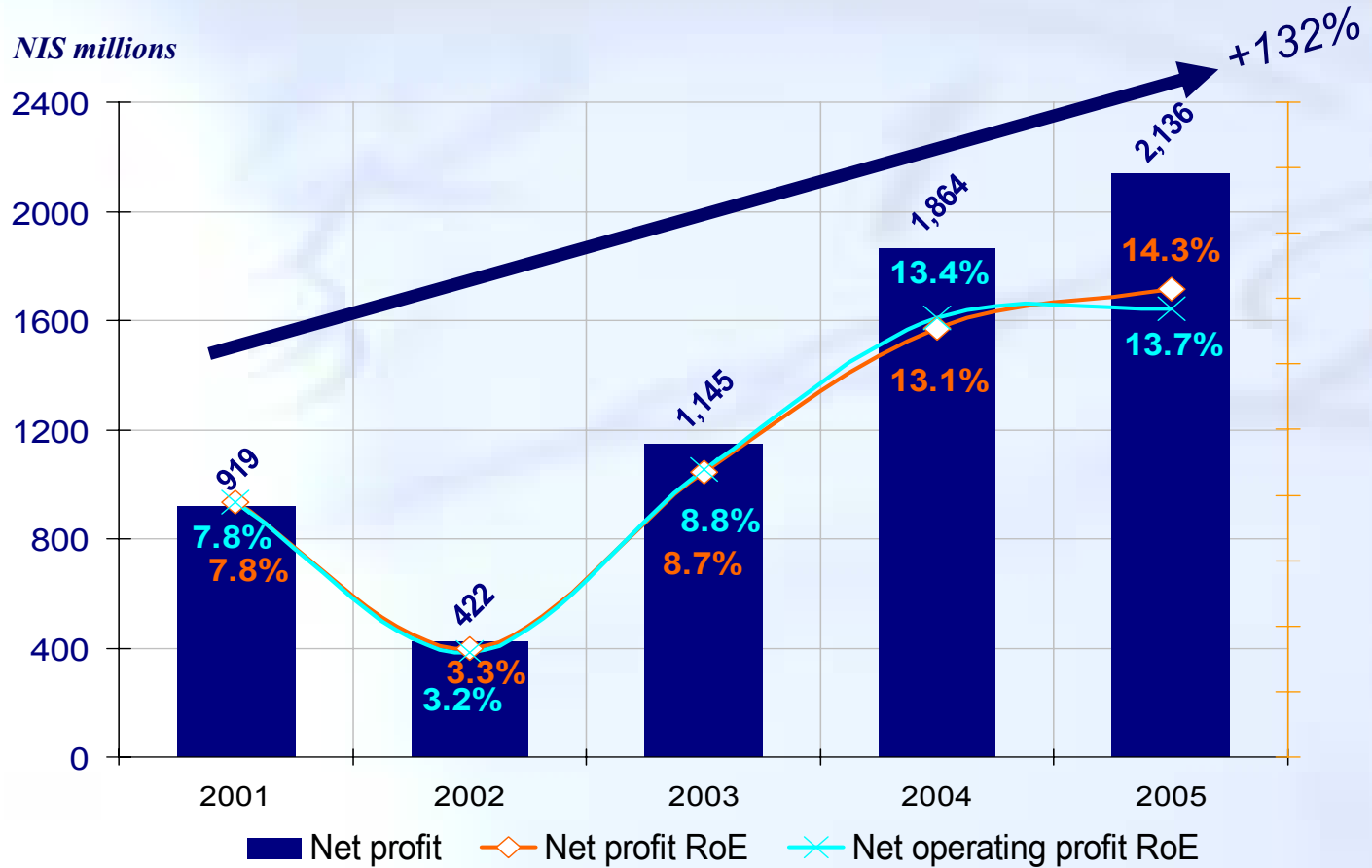
# The Leumi Group:

*Highest profit ever recorded*

<i>in millions</i>	<b>Net profit</b>	<b>Net operating profit</b>
<b>Profit</b>	NIS 2,136 (\$464)	NIS 2,059 (\$447)
<b>Rate of increase</b>	14.6%	8.1%
<b>Net return on equity</b>	14.3%	13.7%

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# Net profit and RoE



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# Main financial data

<i>NIS millions</i>	<b>2005</b>	<b>2004</b>	<b>% change</b>
<b>Net interest income before provision</b>	6,628	6,359	4.2%
<b>Provision for doubtful debts</b>	1,426	1,514	(5.8%)
<b>Total operating and other income</b>	3,718	3,403	9.3%
<b>Total operating and other expenses</b>	6,070	5,488	10.6%
<b>Companies included on the equity basis</b>	378	410	(7.8%)
<b>Net profit for the period</b>	2,136	1,864	14.6%

# Net interest income

NIS millions



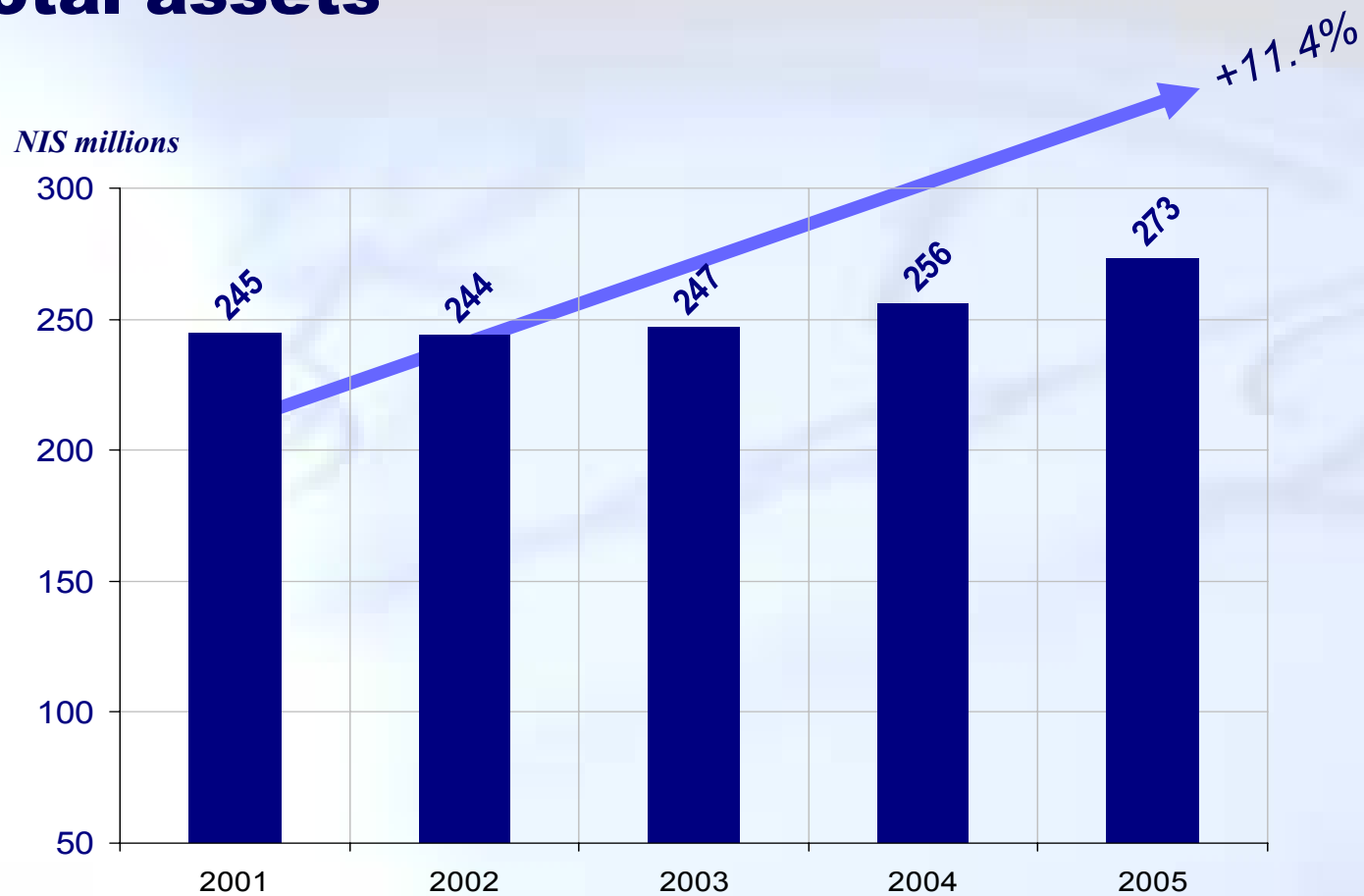
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# Provisions for doubtful debts

NIS millions

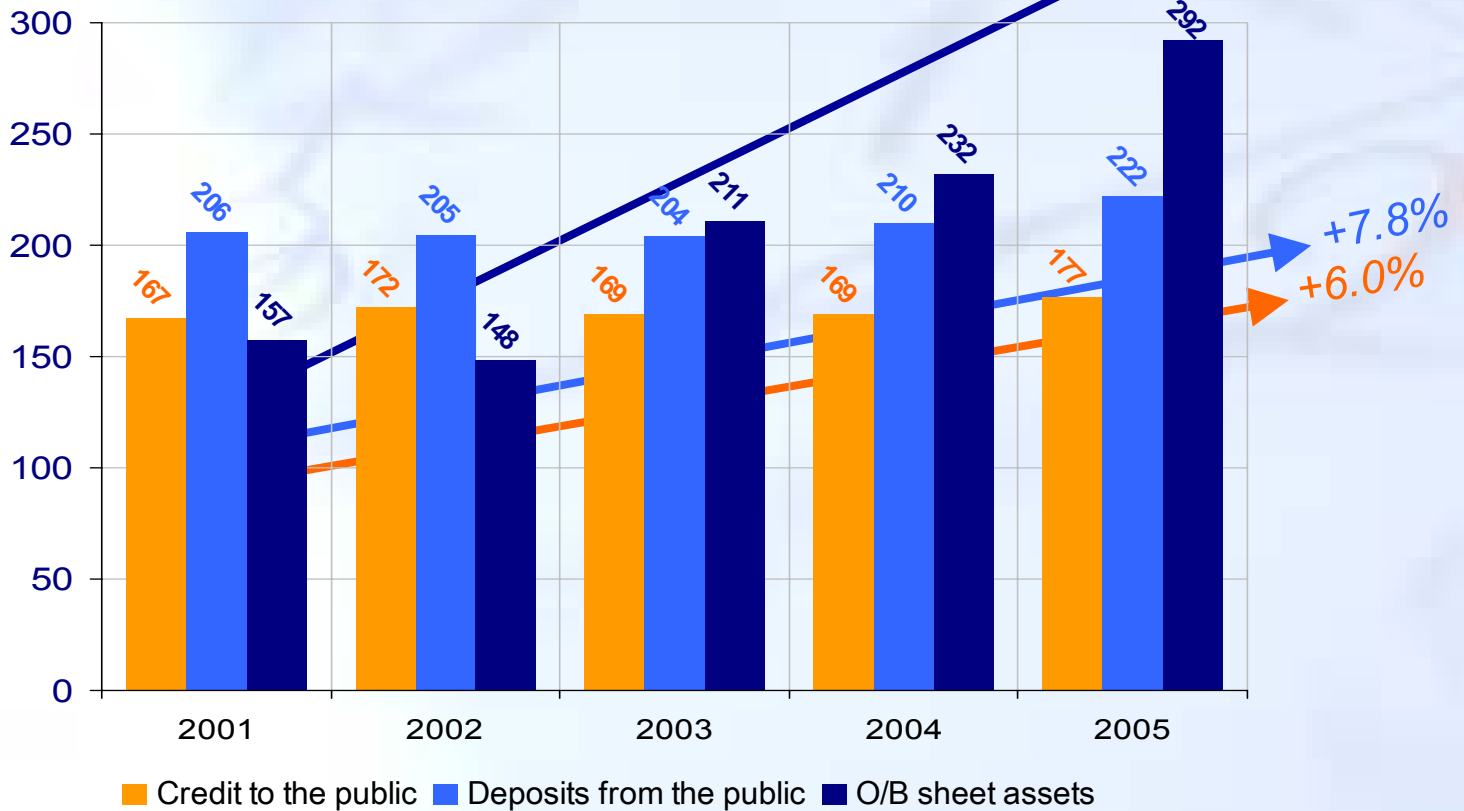


# Total assets



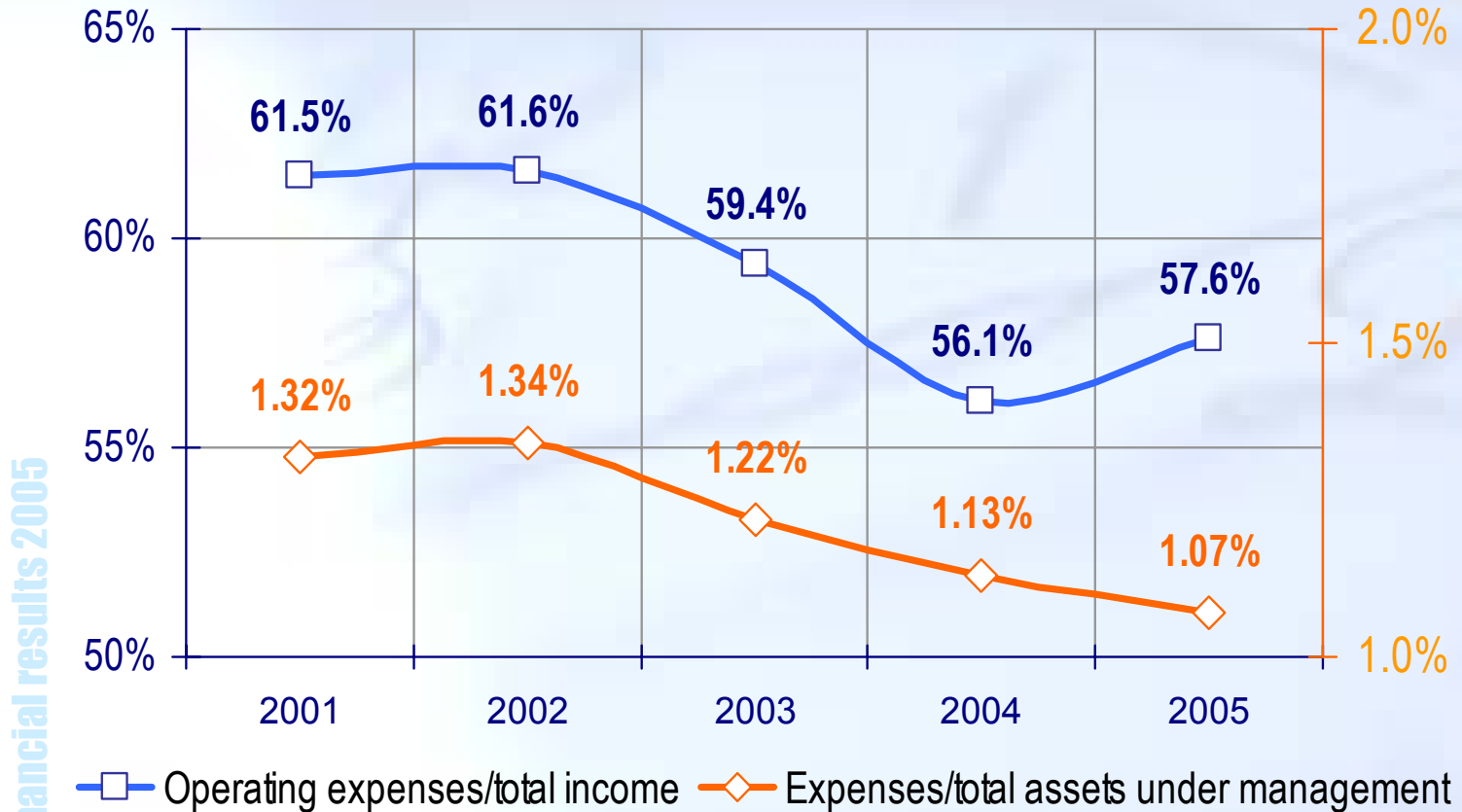
# Balance sheet and off-balance sheet growth

NIS billions



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# Efficiency Ratio\*



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\*Excluding the costs of voluntary retirement

# Indices of financial strength

*The improving trend continues*

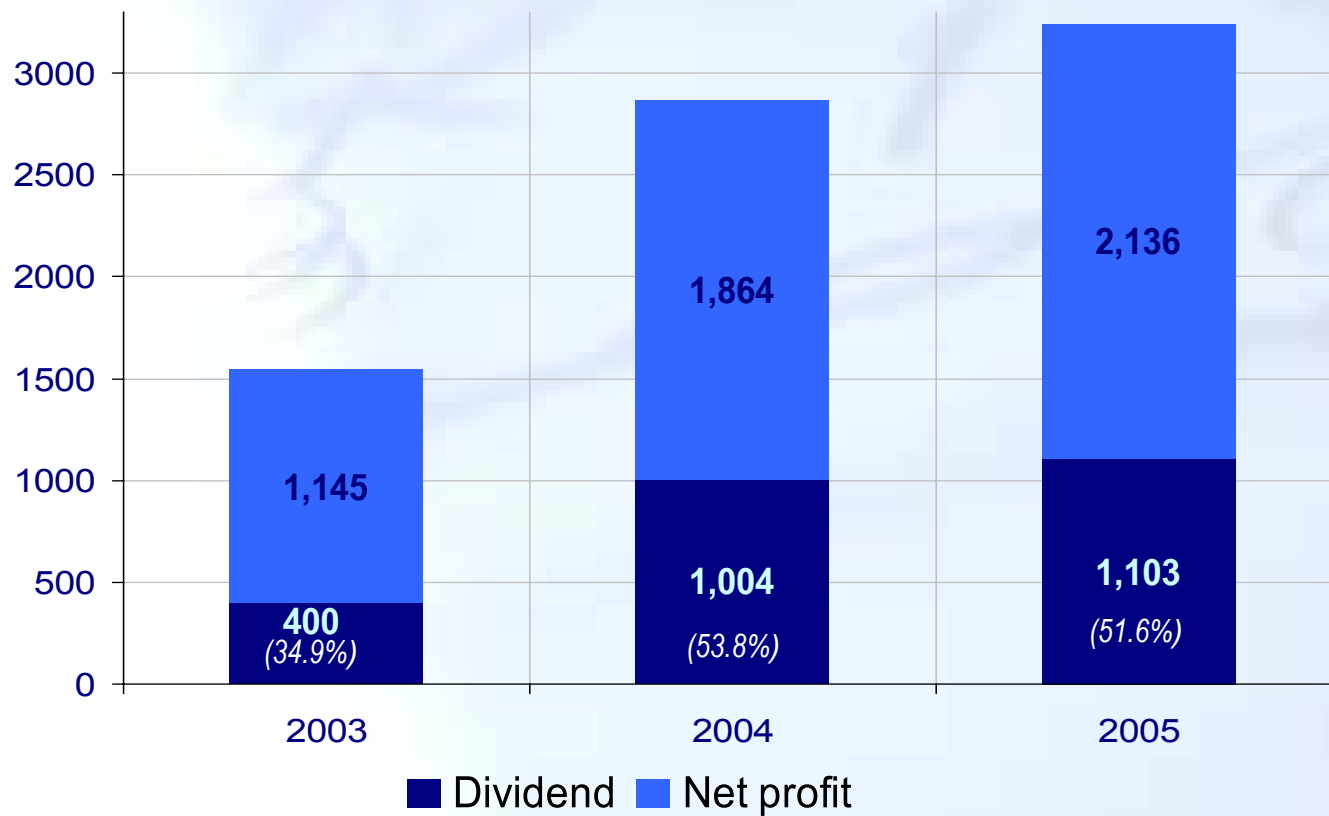
NIS billions



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# Dividend payments for the year ending:

*NIS millions*



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## List of interested persons as of 21/3/06

Name of Shareholder	Total Holdings in NIS nominal value	% of paid-up capital	% of voting rights	Fully Diluted	
				% of paid-up capital	% of voting rights
The Government of Israel on behalf of the State of Israel <sup>[1] [2]</sup>	209,191,193.00	14.79	19.78 <sup>[2]</sup>	13.96	18.66 <sup>[2]</sup>
Barnea Investments B.V <sup>[3]</sup>	141,281,845.00	9.99	5.00 <sup>[2]</sup>	9.42	4.72 <sup>[2]</sup>
Shlomo Eliahu Holdings Ltd. & subsidiaries & associated companies	141,380,000.00	10.00 <sup>[4]</sup>	10.00 <sup>[4]</sup>	9.43	9.43
Otsar Hityashvuth HaYehudim B.M. J.C.T. Trust Co. Ltd.	68,680,000.00 <u>3,000,000.00</u> 71,680,000.00	4.86 <u>0.21</u> 5.07	4.86 <u>0.21</u> 5.07	4.78	4.78
The Public	850,699,642.00	60.15	60.15	56.75	56.75
Total employees – to be issued assuming full exercise of options <sup>[5]</sup>	-	-	-	5.66	5.66
	1,414,232,680.00	100.00	100.00	100.00	100.00

[1] The Ministry of Finance has recently agreed that the State will offer 2.873% of the Bank's share capital to the employees. A further 1% will be offered when the privatization has been completed.

[2] 4.99% of the shares purchased by Barnea are being held in trust by H.F.N. Trust Company Ltd. (the "Trustee"). Barnea and the Trustee have executed a power of attorney empowering the Shares Committee of the Bank, appointed pursuant to Bank Shares (Arrangement Shares) (Temporary Provision) Law, including whoever succeeds it in this capacity, as provided under said Law, or any other person that the Minister of Finance shall empower, to (1) participate and vote such shares at all meetings of the Bank and (2) to exercise the right to appoint directors of the Bank with respect to all shares of the Bank held by Barnea.

[3] Barnea has an option to purchase an additional 10.01% from the State within 18 months from 24 November 2005, subject to various conditions including the receipt of the required permits from the supervisory authorities in Israel and abroad. The options will expire, inter alia, should the percentage of shares owned by Barnea fall below 7.5% of the issued share capital of the Bank, as a result of a transfer of shares by Barnea (either regarding shares held directly by Barnea or through the Trustee).

[4] 9.9969%

[5] On 14 February 2006, options were issued to employees that are exercisable in two stages – the first half at the end of two years from allotment and the second half during the third year. The options are exercisable into 6% of the Bank's share capital before dilution. These options have been taken into account in the diluted data in the above table.

# Sale of assets and expected capital gains

*NIS millions*

## Sales in accordance with the Bachar Reform

<i>Company</i>	<i>Purchaser</i>	<i>Consideration</i>
Leumi Pia	Harel Insurance Investments Ltd.	535
Psagot Ofek	York Capital Management	1,350
Leumi Gemel	Harel Insurance Investments Ltd. & The Markstone Fund	1,148
Direct Insurance – Financial Investments Ltd.*	Tzur Shamir Holdings Ltd.	116

## Sale of conglomerates pursuant to banking law requirements

<i>Company</i>	<i>Purchaser</i>	<i>Consideration</i>
Africa Israel Investments Ltd.	Controlling shareholder of Africa Israel	1,120
Migdal Insurance and Financial Holdings Ltd. (10%)	Generali	668

*Total amount from sale agreements -- approximately NIS 5.0 billion*

*Anticipated capital gains -- approximately NIS 2.7 billion*

*\* Sale of Direct Insurance is included in the 2005 Report. The remainder of the sales will be included in the 2006 Report.*

# Strategic targets

- Increase retail banking while preparing for changes due to capital market reform
- Expand international activity
- Grow global private banking in Israel and overseas
- Strengthen and leverage Leumi's leading corporate and middle market business positions

# The market recognizes our results

NIS millions



\*as of 26 March 2006