

Leumi Presents the Highest Net Profit  
in the Israeli Banking System in 2007:

**NIS 3.36 billion**  
**(\$873 million)**

**Net Operating Profit of NIS 2.98 billion**  
**(\$776 million)**

- ▶ Net Return on Equity in 2007 - 17.4%
- ▶ Net Return on Operating Profit in 2007 - 15.4%
- ▶ Net Profit in the fourth quarter of 2007 - NIS 517 million (\$134 million)
- ▶ The Bank's capital adequacy remains high - 11.52%
- ▶ The small amount of \$7.2 million was recorded in the Bank's profit and loss statement for 2007 in respect of the asset-backed securities portfolio.
- ▶ The Bank will distribute an additional dividend in the amount of NIS 270 million (\$70 million) on account of the profits from the fourth quarter of 2007, and in a total amount of some NIS 1.7 billion (\$438 million) for the profits from the entire year (subject to the approval of the Annual General Meeting)

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**Chairman of the Board of Directors, Eitan Raff:**

"Our 2007 results show a long and continuous improvement for Leumi in all business parameters, achieved through a reliance on quality personnel and on a high level of professionalism at all levels of management – from the CEO and the Bank's Management to all personnel levels. The Israeli economy, which experienced growth in 2007 for the fourth continuous year, made a positive contribution to the Bank's results. However, the updated forecasts for 2008 and the pessimistic mood moving through the world's financial markets indicate that 2008 will be a different and more challenging year than those that preceded it. These changes mean Israel's financial system must act responsibly and with considerable caution. When the capital market displays uncertainty, a supportive regulatory environment that will protect the public's investments is necessary, and which will, at the same time, caution regarding weaknesses and impose uniform rules and control for all players."



**President and CEO of the Leumi Group, Galia Maor:**

"2007 has ended with excellent results as we present record operating profits and a significant improvement in all aspects of the Group's activities. The results demonstrate sound banking policy, implemented over the years by a client centric organization, with well diversified sources of income. We have always placed a strong emphasis on risk management and on the improvement of our credit portfolio, and we will continue to do so in the future. The Israeli economy is small and its sensitivity to external economic developments and to overseas financial markets has increased in recent years. 2008 is predicted to be a challenging year for the global economy, and for banking, throughout the world. Against the backdrop of this environment, we will make every effort to support our clients, while continuing to responsibly manage all risks."

The Leumi Group today published its audited financial statements for 2007

The financial statements disclose that the **net operating profit of the Leumi Group in 2007** amounted to NIS 2,984 million (\$776 million), compared with NIS 1,454 million (\$378 million) in 2006, an increase of 105.2%. **The return on net operating profit in 2007** was 15.4%, compared with 8.3% in 2006.

**The net profit of the Leumi Group in 2007** amounted to NIS 3,357 million (\$873 million), compared with NIS 3,534 million (\$919 million) in 2006, a decrease of 5.0%. It should be recalled that Leumi's net profit in 2006 included extraordinary gains in the amount of some NIS 2.1 billion (\$546 million) from the sale of Leumi's non-banking holdings and capital market companies, as compared with extraordinary gains of only NIS 373 million (\$97 million) from the sale of assets in 2007.

The net profit in 2007 reflects a **return on equity** of 17.4%, compared with 20.1% in 2006.

**Net operating profit in the fourth quarter of 2007** amounted to NIS 512 million (\$133 million), compared with NIS 391 million (\$102 million) in the fourth quarter of 2006, an increase of 30.9%. Net profit in the fourth quarter of 2007 amounted to NIS 517 million, (\$134 million), compared with NIS 1,074 million (\$279 million) in the corresponding quarter of 2006, a decrease of 51.9%.

Development of net operating profit and return on net operating profit (NIS millions)



### The principal factors contributing to the Group's net operating profit in 2007

- A 10.5% increase in net interest income before provision for doubtful debts, from NIS 6,922 million (\$1,800 million) in 2006 to NIS 7,648 million (\$1,989 million) in 2007.
- A sharp decrease of 56.4% in the provision for doubtful debts, from NIS 933 million (\$243 million) in 2006 to NIS 407 million (\$106 million) in 2007.
- An increase of 8.8% in operating and other income, from NIS 3,881 million (\$1,009 million) in 2006 to NIS 4,222 million (\$1,098 million) in 2007.
- A lower effective tax rate than in 2006.

### Additional data from the financial statements

- Total assets under management of the Leumi Group, balance sheet and off-balance sheet, reached some NIS 764 billion (\$199 billion) on December 31, 2007, compared with NIS 695 billion (\$181 billion) at the end of 2006, an increase of 9.9%.
- **Total assets** of the Leumi Group on December 31, 2007 amounted to NIS 302 billion (\$79 billion), compared with NIS 289 billion (\$75 billion) at the end of 2006, an increase of 4.4%. (After neutralizing the effect of the shekel's appreciation, total assets would have been 3% higher).
- **Credit to the public** on December 31, 2007 amounted to NIS 199 billion (\$52 billion), compared with NIS 184 billion (\$48 billion) at the end of 2006, an increase of 8.0%. (After neutralizing the effect of the shekel's appreciation, the amount of credit to the public would have been 2% higher).
- **Deposits from the public** on December 31, 2007 amounted to some NIS 238 billion (\$62 billion), compared with NIS 232 billion (\$60 billion) at the end of 2006, an increase of 2.7%. (After neutralizing the effect of the shekel's appreciation, the amount of deposits from the public would have been 3.3% higher).
- **The shareholders' equity** of the Group on December 31, 2007 amounted to NIS 19.5 billion (\$5.1 billion), compared with NIS 17.5 billion (\$4.6 billion) at the end of 2006 (an increase of 11.8%).
- **The ratio of shareholders' equity to risk assets (capital adequacy)** reached 11.52% on December 31, 2007, compared with 11.56% at the end of 2006.

### Dividend for 2007

The Board of Directors, at its meeting on 30 March 2008, resolved to recommend to the upcoming Annual General Meeting the distribution of an additional cash dividend in the amount of NIS 270 million (\$70 million), constituting 52% of the net profit for the fourth quarter of 2007. This amount will be in addition to a dividend of NIS 1.414 billion (\$368 million), which was approved and distributed for the profits from the first nine months of 2007. In total, the dividends from the 2007 profits will amount to NIS 1.684 billion (\$438 million) (subject to the Annual General Meeting's approval of the additional dividend).

**Contribution of the main operational segments to the net operating profit (after neutralizing special salary expenses) in 2007**

- The **Corporate Banking** segment contributed some 25% of Leumi's net operating profit, in the amount of some NIS 799 million (\$208 million).
- The **Household Banking** segment contributed some 21% of Leumi's net operating profit, in the amount of some NIS 660 million (\$172 million).
- The **Commercial Banking** segment contributed some 17% of Leumi's net operating profit, in the amount of some NIS 527 million (\$137 million).
- The **Construction and Real Estate** segment contributed some 12% of Leumi's net operating profit, in the amount of some NIS 378 million (\$98 million).
- **Financial Management and Capital Markets** contributed some 9% of Leumi's net operating profit, in the amount of some NIS 292 million (\$76 million).
- The **Small Businesses** segment contributed some 6% of Leumi's net operating profit, in the amount of some NIS 172 million (\$45 million).
- The **Private Banking** segment contributed some 5% of Leumi's net operating profit, in the amount of some NIS 142 million (\$37 million).

**Leumi's Asset-Backed Securities Portfolio**

The impact on the Leumi Group of the mortgage crisis in the United States on Leumi's asset-backed securities portfolio remains low and a small loss of \$7.2 million (\$4.6 million after tax) was recorded in its Profit and Loss Statement for 2007, after this amount was recognized as a decline in value of a non-temporary nature. The provision for a decrease in the value of the capital fund in respect of the asset-backed securities portfolio up to 31 December 2007 amounted to some \$44 million. Since the end of December 2007 and up to the end of February 2008 there has been an increase in the provision for the capital fund of an additional amount of some \$27 million.

The value of the Group's asset-backed securities (both mortgages and non-mortgages) in the available-for-sale portfolio amounts to some \$1.6 billion. The asset-backed securities portfolio includes an investment of some \$1.1 billion in mortgage-backed securities, 99% of which are rated AAA by the world's leading rating agencies and which are issued or guaranteed by United States federal agencies. The asset-backed securities portfolio includes securities backed by assets which are not mortgages in the amount of some \$551 million. More than 71% of these debentures are rated AAA and the rest are rated A- and above. This portfolio includes, inter alia, SCDO's (Synthetic Collateralized Debt Obligations) in the amount of some \$112 million and CLO's (Collateralized Loan Obligations) in the amount of some \$319 million.

## Summary of the 2007 results of the subsidiaries in the Leumi Group



### Leumi Mortgage Bank:

Leumi Mortgage Bank ended 2007 with a net profit of NIS 219 million (\$57 million), compared with NIS 50 million in 2006 (\$13 million), an increase of 342.3%. The net return on equity was 11.6% in 2007, compared with 2.9% in 2006.

### Leumi Card:

Leumi Card ended 2007 with a net profit of NIS 104 million (\$27 million), compared with NIS 82 million in 2006 (\$21 million), an increase of 27%. The company's income amounted to NIS 680 million (\$177 million) in 2007, compared with NIS 585 million (\$152 million) in 2006 - an increase of 16%.

### Arab Israel Bank:

Arab Israel Bank ended 2007 with a net profit of NIS 88.5 million (\$23 million), compared with NIS 61.6 million in 2006 (\$16 million), an increase of 43.7%. The net return on equity was 23.4% in 2007, compared with 17.3% in 2006.

### Bank Leumi USA (BLUSA):

Bank Leumi USA ended 2007 with a net profit of \$30.5 million, compared with \$25.8 million in 2006, an increase of some 18%. The bank's total assets amounted to \$5.8 billion at the end of 2007, similar to the end of 2006.

### Bank Leumi United Kingdom (BLUK):

Bank Leumi UK ended 2007 with a net profit of £12.1 million, compared with £12.6 million in 2006. The net return on equity was 14.3% in 2007, compared with 11.5% in 2006. The bank's total assets increased by 11.4% and amounted to £1.4 billion.

### Bank Leumi Switzerland (BLICH)

Bank Leumi Switzerland ended 2007 with a net profit of CHF 11 million, compared with CHF 12 million in 2006. The bank's total assets amounted to CHF 956 million at the end of 2007, compared with CHF 903 million at the end of 2006.



## Contribution to the community

### Bank Leumi Romania (Romania):

Bank Leumi Romania became profitable in 2007 with a profit of \$0.6 million, compared with a loss of \$6.7 million in 2006. During 2007, the Bank of Israel approved an increase of Bank Leumi Romania's equity by up to an additional \$65 million. After the increase, the bank's equity amounted to some \$100 million.

### Bank Leumi Luxembourg (Luxembourg):

Bank Leumi Luxembourg, which specializes in providing private banking services to high net worth customers from all over the world, ended 2007 with a net profit of 2.3 million euro, an increase of 25% compared with 2006. The bank's total assets amounted to 547 million euro at the end of 2007.

Leumi is regularly ranked in the top tenth percentile of the **Ma'ale** Social Responsibility Index, among all the large companies in the Israeli economy, and it is very active in the four areas that comprise the Index: environmental protection, business ethics, work environment and human rights and community relations. Leumi is also the first and only company in Israel to issue a full social responsibility report with the approval of the international organization GRI (Global Reporting Initiative), which is the leading international organization in the world formulating and promoting guidelines for writing reports on social and environmental responsibility.

As part of its overall commitment to the community, Leumi encourages its employees to become involved with the community, and provides them with the infrastructure and the opportunity to volunteer and to contribute. Hundreds of employees and managers at Leumi are involved in voluntary activities carried out in the framework of "Leumi Tomorrow", "Young Entrepreneurs" and other projects initiated by the Bank, and these employees serve as models that the students involved in the various projects can emulate. Thanks to raised awareness at Leumi of the subject of contribution to the community, branches and units have been initiating independent projects, with Leumi's backing.

During the past five years, the Leumi Group's contributions and sponsorships for social causes amounted to some NIS 94 million (\$24 million). In 2007, the total amount of donations and scholarships amounted to NIS 20.6 million (\$5.4 million). Out of this amount, some NIS 9 million (\$2 million) was directed towards causes involving education, children and youth, some NIS 9 million (\$2 million) was donated for social and community purposes, some NIS 1 million (\$0.3 million) in the area of health and some NIS 1 million (\$0.3 million) was contributed to support cultural activities.

Decisions with regard to the designation and amount of donations are made by the Bank's donations committee, whose members are appointed by the President and Chief Executive Officer as well as the "Leumi Tomorrow" non-profit society. Applications for donations are given careful and thorough consideration in accordance with criteria that have been determined by written guidelines approved by the Board of Directors, while large donations are approved by the Board itself.

Leumi Group – Selected  
data from the financial  
statements

Leumi Group – Profit and Profitability (in NIS millions)

	Year ended December 31			Three months ended December 31		
	2007	2006	Rate of Change	2007	2006	Rate of Change
Net interest income before provision for doubtful debts	7,648	6,922	10.5	1,781	1,763	1.0
Provision for doubtful debts	407	933	(56.4)	279	265	5.3
Operating and other income	4,222	3,881	8.8	1,192	983	21.3
Operating and other expenses	6,937	7,267	(4.5)*	1,864	1,776	5.0
Net operating profit	2,984	1,454	105.2**	512	391	30.9
Net profit for the period	3,357	3,534	(5.0)	517	1,074	(51.9)

\* After neutralizing special salary expenses: 5.3%

\*\* After neutralizing special salary expenses: 51.1%

Development of Principal Balance Sheet Items (in NIS billions)

	As at Dec. 31, 2007	As at Dec. 31, 2006	Rate of change
Total assets	302.2	289.3	4.4
Credit to the public	198.6	183.8	8.0
Deposits from the public	238.0	231.8	2.7
Shareholders' equity	19.5	17.5	11.8

Principal Financial Ratios (%)

	Year ended December 31	
	2007	2006
Credit to the public to total assets	65.7	63.5
Deposits of the public to total assets	78.8	80.1
Total shareholders' equity to risk assets (capital adequacy ratio)	11.52	11.56
Primary capital risk assets	7.55	7.53
Provision for doubtful debts from credit to the public	0.20	0.51
Financial margin	1.71	1.82
Operating expenses to total income (efficiency ratio)	58.4*	65.6**
Return on Net Operating Profit	15.4	8.3
Return on Net Profit	17.4	20.1

\* After neutralizing special salary expenses: 56.3%

\*\* After neutralizing special salary expenses: 58.8%

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, 2007, which was NIS 3.846.