

Financial statements of the Leumi Group for the first quarter of 2008:

Net profit of NIS 470 million (\$132.3 million)
for Leumi in the first quarter of 2008

- ▶ Net return on equity in the first quarter: 9.8% (on an annual basis)
- ▶ Net operating profit amounted to NIS 472 million (\$132.8 million)
- ▶ Net interest income grew by 9.3% and amounted to NIS 1.96 billion (\$551.6 million)
- ▶ Leumi's capital adequacy ratio is at 11.77% (Tier I Capital: 7.73%)
- ▶ Financial assets under the Group's management, balance sheet and off-balance sheet, amounted to NIS 731 billion (\$205.7 billion)

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Leumi With You.



The Leumi Group today published its financial statements for the first quarter of 2008:

The results indicate that there has been continued growth in interest income and in some of the Bank's balance sheet items:

- **Net profit** in the first quarter of 2008 amounted to NIS 470 million (\$132.3 million), compared with NIS 917 million (\$258.1 million) in the same period last year, a decrease of 48.7%.
- **Net return on equity** in the first quarter of 2008 was 9.8%, on an annual basis, compared with 22.2% in the same period last year. (The high return in 2007 resulted from, *inter alia*, the profit from extraordinary items from the sale of part of Leumi's provident funds).
- **Net operating profit** in the first quarter of 2008 amounted to NIS 472 million (\$132.8 million), compared with NIS 658 million (\$185.2 million) in the same period last year, a decrease of 28.3%.
- **The return on net operating profit** amounted to 9.8%, compared with 15.6% in the corresponding period last year.
- **Net interest income** before provisions for doubtful debts increased by 9.3%, compared with the first quarter of 2007, and amounted to NIS 1,960 million (\$551.6 million).
- **Total assets of the Leumi Group** on March 31, 2008 amounted to NIS 298.2 billion (\$83.9 billion), compared with NIS 290.3 billion (\$81.7 billion) on March 31, 2007 (an increase of 2.7%), and with NIS 302.2 billion (\$85.1 billion) on December 31, 2007 (a decrease of 1.3%). The effect of the shekel's appreciation during the first quarter of 2008 was -2.3%.
- **Credit to the public** on March 31, 2008 amounted to NIS 200.2 billion (\$56.3 billion), compared with NIS 185.8 billion (\$52.3 billion) on March 31, 2007 (an increase of 7.7%) and with NIS 198.6 billion (\$55.9 billion) on December 31, 2007 (an increase of 0.8%). The effect of the shekel's appreciation during the first quarter of 2008 was -1.6%.
- **Deposits from the public** on March 31, 2008 amounted to NIS 228.2 billion (\$64.2 billion), compared with NIS 226.9 billion (\$63.9 billion) on March 31, 2007 (an increase of 0.6%) and with NIS 238.0 billion (\$67.0 billion) on December 31, 2007 (a decrease of 4.1%). The effect of the shekel's appreciation during the first quarter of 2008 was -2.9%.
- **The shareholders' equity** of the Group on March 31, 2008 amounted to NIS 19.7 billion (\$5.55 billion), compared with NIS 18.5 billion (\$5.20 billion) on March 31, 2007 (an increase of 6.7%) and with NIS 19.5 billion (\$5.50 billion) on December 31, 2007 (an increase of 0.9%).

The decline in Leumi's profit compared with the corresponding quarter last year resulted primarily from the following factors:

- ▶ A decrease in the profit from extraordinary items. In the first quarter of 2007, profits from the sale of part of the Bank's provident funds, in the amount of NIS 257 million (\$72.3 million) were included in extraordinary items.
- ▶ An increase in the provision for doubtful debts in the amount of NIS 233 million (\$65.6 million).
- ▶ A reduction in operating and other income in the amount of NIS 139 million (\$39.1 million).
- ▶ An increase in operating and other expenses in the amount of NIS 162 million (\$45.6 million).
- ▶ An effective tax rate that was 3.9 percentage points higher than in 2007.

On the other hand, net interest income before provisions for doubtful debts increased by NIS 167 million (\$47.0 million). In addition, the contribution of companies included on an equity basis increased by NIS 48 million (\$13.5 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 \$3 million was recorded in its Profit and Loss Statement for the first quarter of 2008, after this amount was recognized as a decline in value of a non-temporary nature.

The aggregate decrease in the value of the capital fund, in respect of the asset-backed securities portfolio, which is classified in the available-for-sale portfolio, amounted to some \$104 million as of March 31, 2008, compared with \$44 million at the end of 2007. Furthermore, since the end of March 2008 and up to the end of April 2008 there has been an improvement of some \$18 million in the capital fund.

The value of the Group's asset-backed securities (both mortgage-backed and non-mortgage-backed) in the available-for-sale portfolio amounts to some \$1.5 billion. The asset-backed securities portfolio includes an investment of some \$1.0 billion in mortgage-backed securities issued or guaranteed by U.S. federal agencies and rated AAA by the world's leading rating agencies. The asset-backed securities portfolio also includes securities backed by assets which are not mortgages, in the amount of some \$483 million. More than 68% 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 \$86 million and CLO's (Collateralized Loan Obligations) in the amount of some \$306 million.

Leumi Group – Main data from
the financial statements:

Profit and Profitability (in NIS millions)			
	For the 3 months ended		Rate of change (%)
	31.3.08	31.3.07	
Net interest income before provision for doubtful debts	1,960	1,793	9.3
Provision for doubtful debts	244	11	+
Operating and other income	851	990	(14.0)
Operating and other expenses	1,794	1,632	9.9
Operating and other expenses after neutralizing special expenses	1,629	1,586	2.7
Net operating profit	472	658	(28.3)
Net profit for the period	470	917	(48.7)
Return on net profit	9.8%	22.2%	
Return on net operating profit	9.8%	15.6%	

Development of Balance Sheet Items (in NIS billions)					
	As at 31.3.08	As at 31.3.07	As at 31.12.07	% Change compared with 31.3.07	% Change compared with 31.12.07
Total assets	298.2	290.3	302.2	2.7	(1.3)
Credit to the public	200.2	185.8	198.6	7.7	0.8
Deposits from the public	228.2	226.9	238.0	0.6	(4.1)
Shareholders' equity	19.7	18.5	19.5	6.7	0.9

Principal Financial Ratios (%)			
	31.3.08	31.3.07	31.12.07
Credit to the public to total assets	67.1	64.0	65.7
Deposits of the public to total assets	76.5	78.2	78.8
Total shareholders' equity to risk assets (capital adequacy ratio)	11.77	11.88	11.52
Tier I capital to risk assets	7.73	7.76	7.55
Provision for doubtful debts from credit to the public	0.49	0.02	0.20
Financial margin	1.78	1.72	1.71
Operating expenses to total income (efficiency ratio)	63.8	58.6	58.4

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 March 31, 2008, which was NIS 3.553.