

Leumi Group

2009 Financial Results Discussion

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2009 Summary – High profit generation on backdrop of a recovering, yet challenging, economic environment

Leading domestic franchise

Healthy and diverse business mix

Sound corporate governance

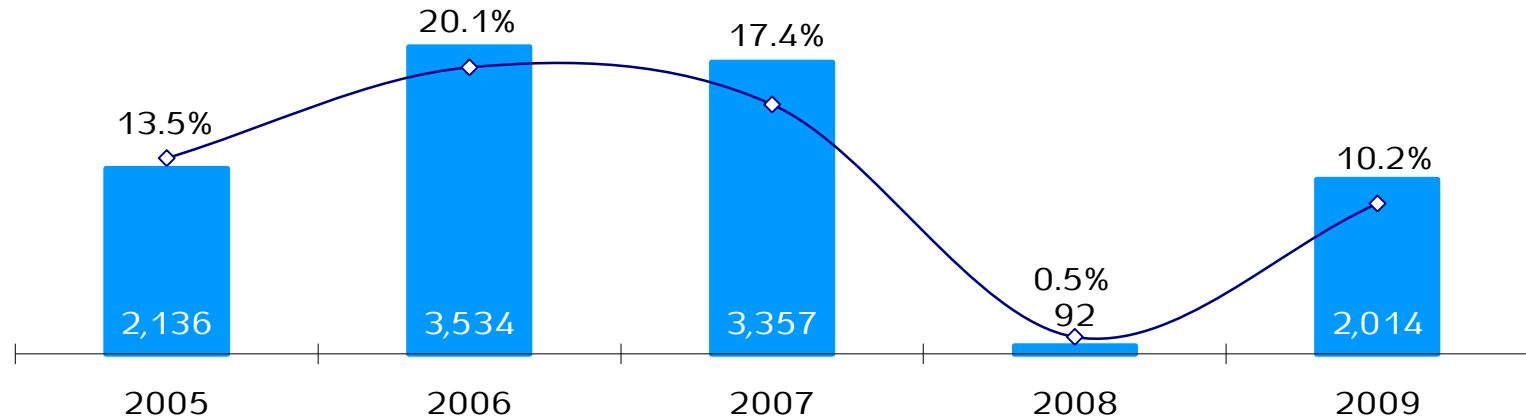
Moderate risk appetite

- **Improved profitability**
- **Diverse earning streams**
- **Continuous growth of asset base**
- **Stronger balance sheet and liquidity position**
- **Industry leading capital position**
- **Firm cost control**

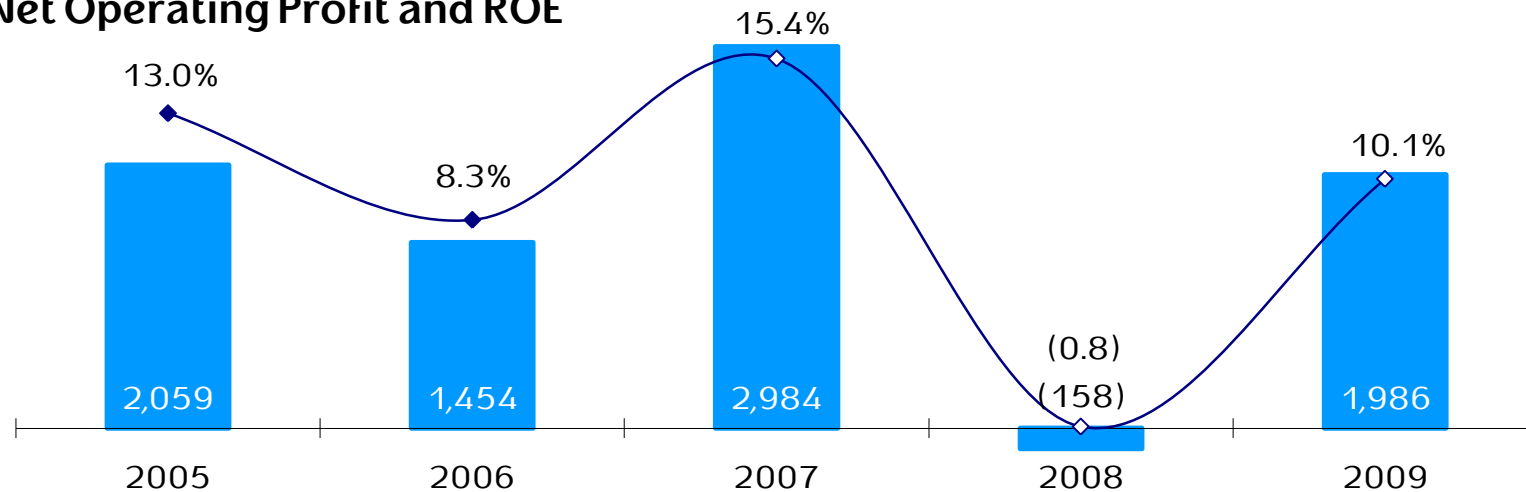
2009 – A sharp rebound in profitability

NIS millions

Net Profit and ROE



Net Operating Profit and ROE



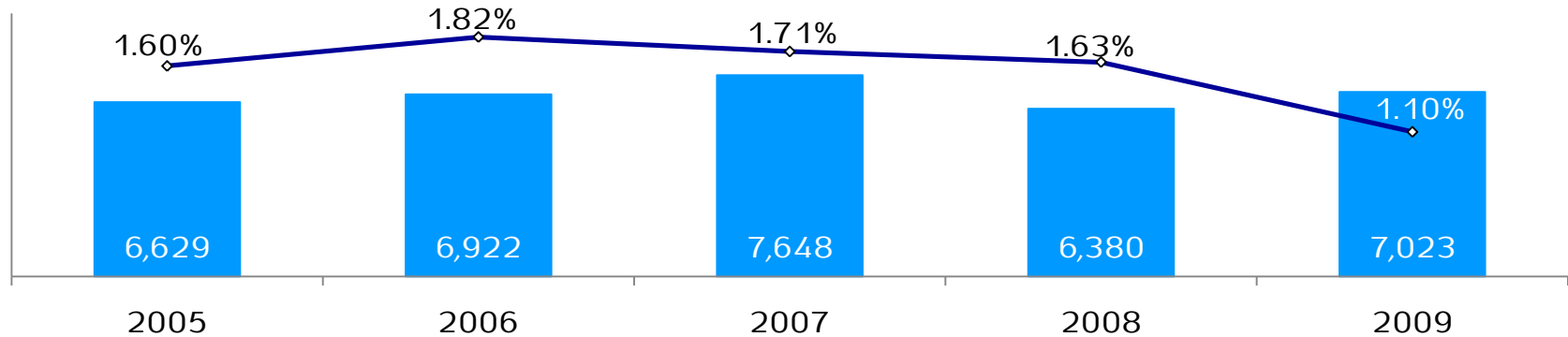
Strong P&L performance

NIS millions

	2009	2008	Δ	Δ%
Net interest income before provision	7,023	6,380	643	10.1
Operating and other income	4,563	2,800	1,763	63.0
Total Income	11,586	9,180	2,406	26.2
Provision for doubtful debts	1,517	2,145	(628)	(29.3)
Operating and other expenses	6,937	7,003	(66)	(0.9)
Companies included on the equity basis	81	249	(168)	(67.5)
Operating profit (loss)	1,986	(158)	2,144	+
Net profit	2,014	92	1,922	+

Net interest income positively impacted by trading gains and mark-to-market write-backs

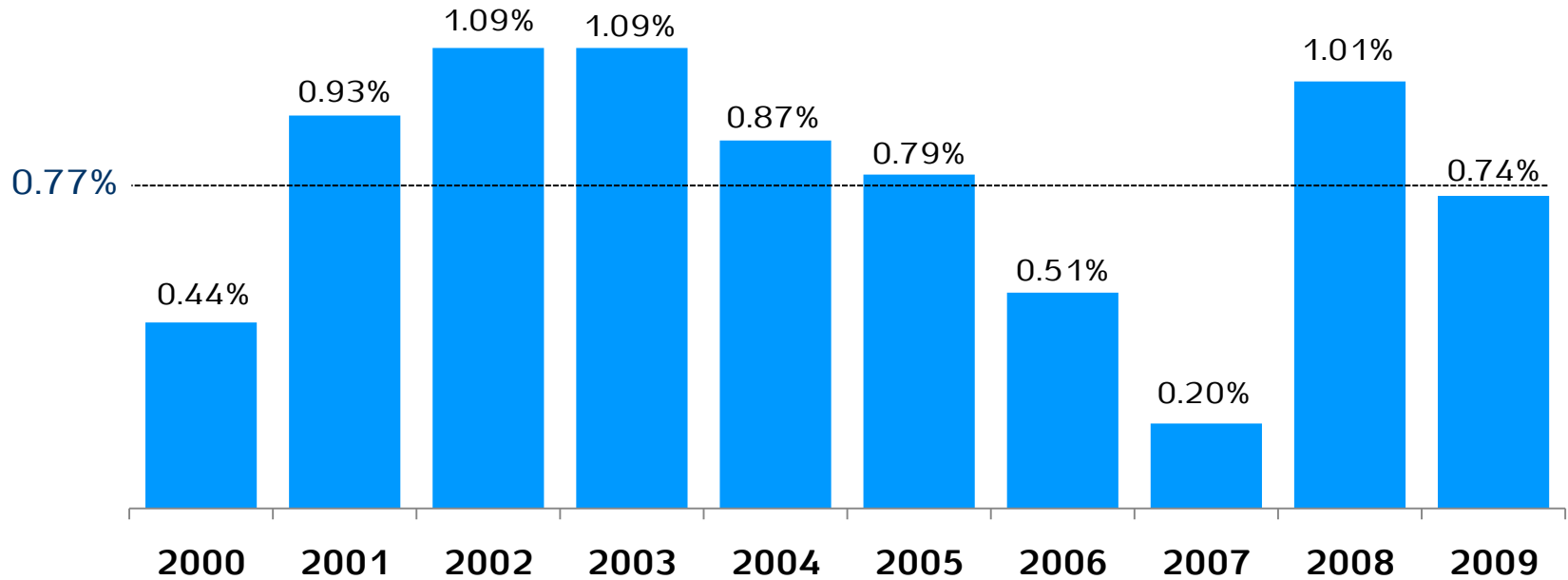
NIS millions, % net interest margin



	2009	2008	Δ	Δ%
Current activities	6,459	6,677	(218)	(3.3)
Collection and reduction of interest in respect of problem loans	380	507	(127)	(25.0)
Exchange rate differentials in respect of financing shares recorded in operating income or capital fund	(62)	199	(261)	-
Provision for decline in value of available-for-sale debentures	(196)	(1,328)	1,132	(85.3)
Profits (losses) from sale of available-for-sale debentures, net	490	(9)	499	+
Profits that were realized and that have not been realized from adjustments to market value of debentures for trading	232	82	150	+
Financing costs in connection with hedging overseas investments	(15)	(98)	83	-
Adjustments of derivatives to fair value	(319)	34	(353)	-
Effect of the known CPI	54	316	(262)	(82.9)
Total net interest income	7,023	6,380	643	10.1

2009 provisions are below 10 year average

% of total loans, NIS millions



NIS
millions

655

1,549

1,907

1,883

1,514

1,426

933

407

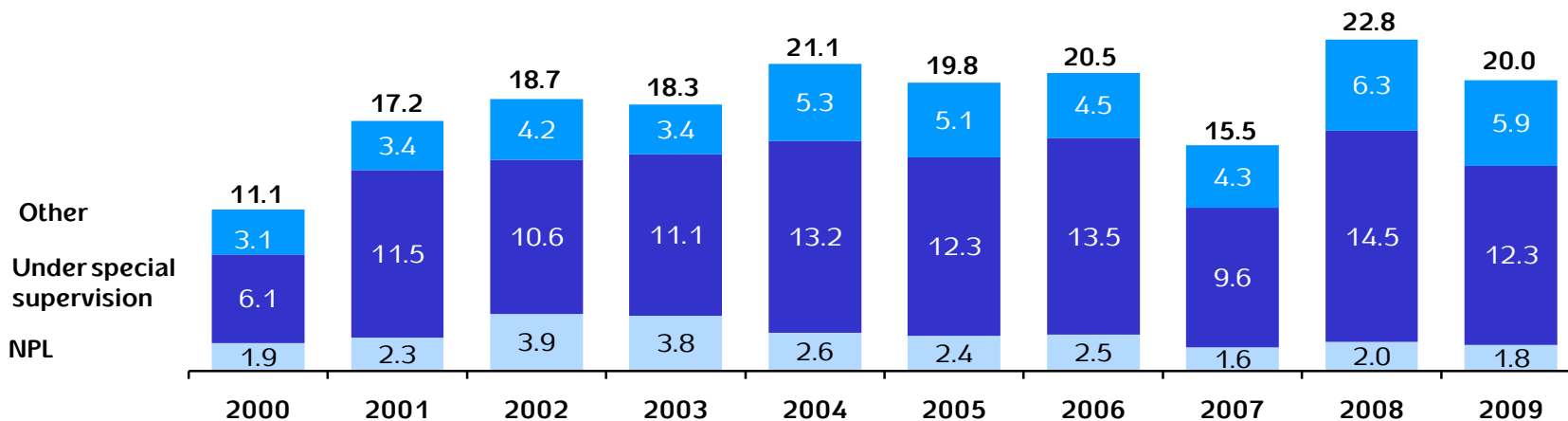
2,145

1,517

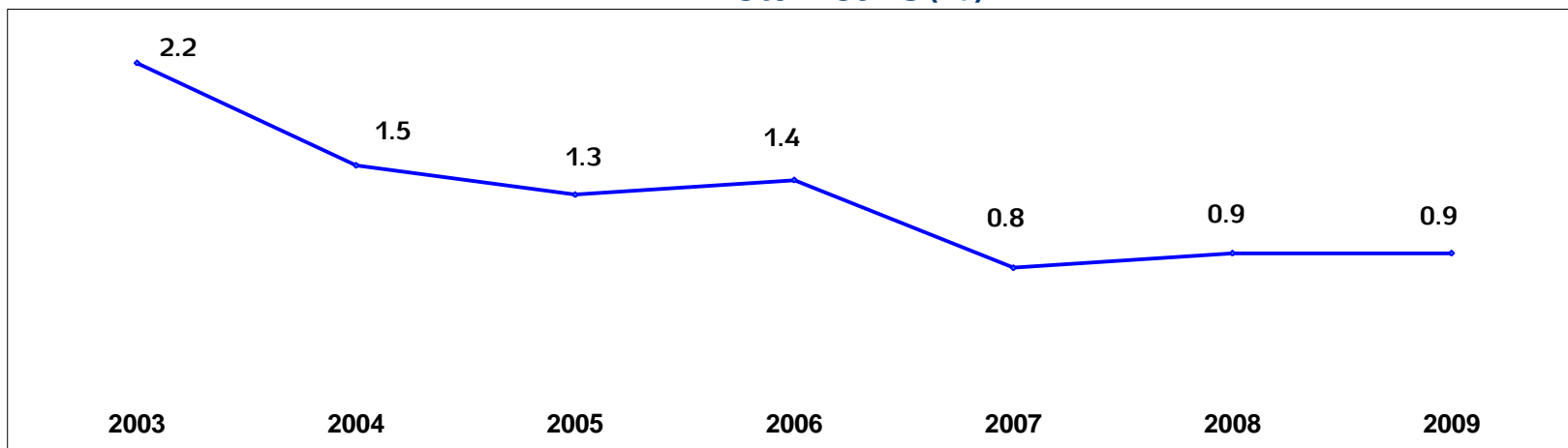
Level of problem loans decreased and NPL ratio is well below average of recent years

NIS billions

Development of problem loans



NPL / Total Loans (%)

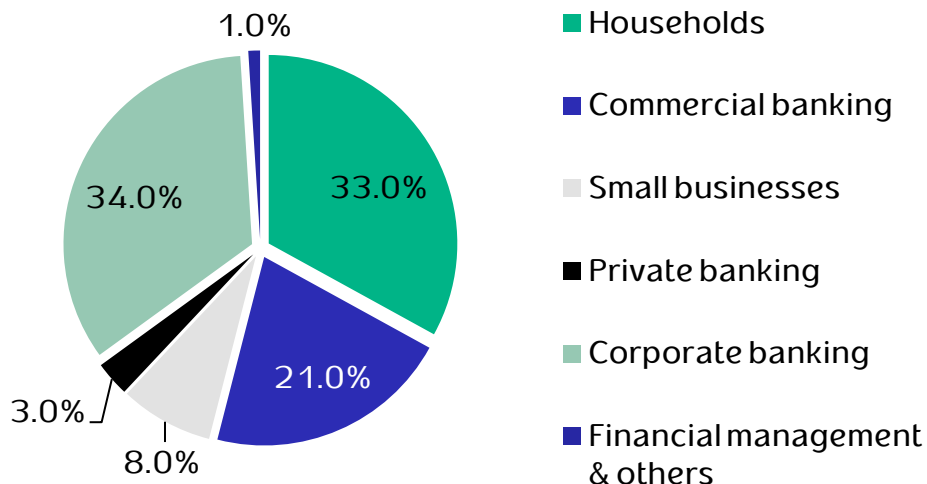
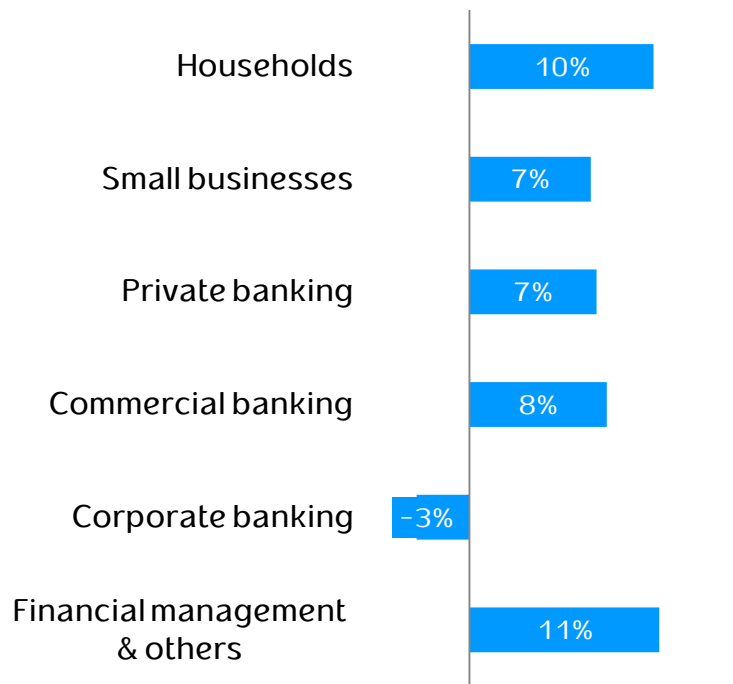


In recent years we have increased the diversification of our credit portfolio and focused on higher RoE segments

YoY growth of loan portfolio by segment

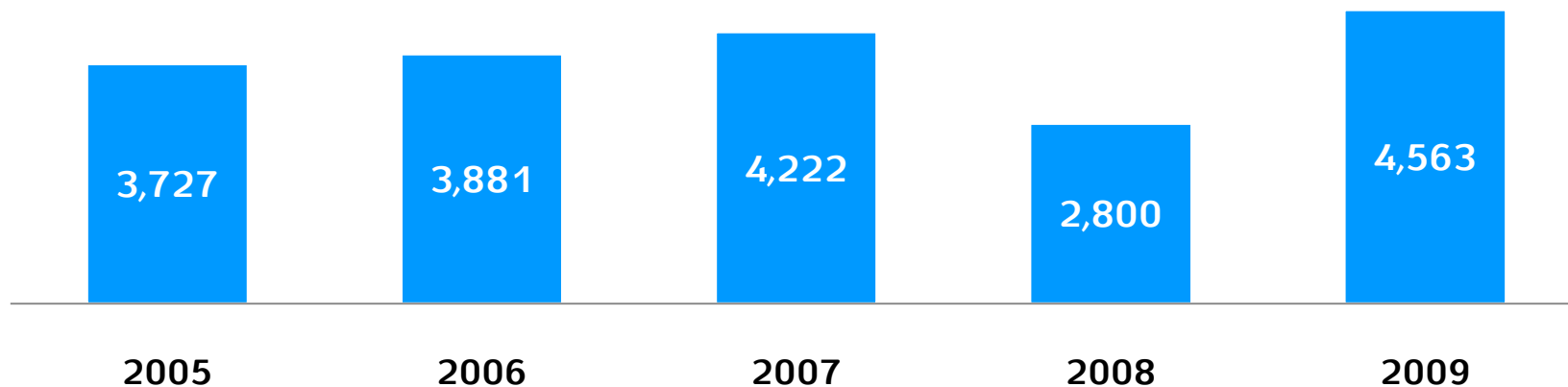
Composition of loan portfolio by segment 2009, %

2004-2009, CAGR (%)



Operating & other income grew 63% year on year

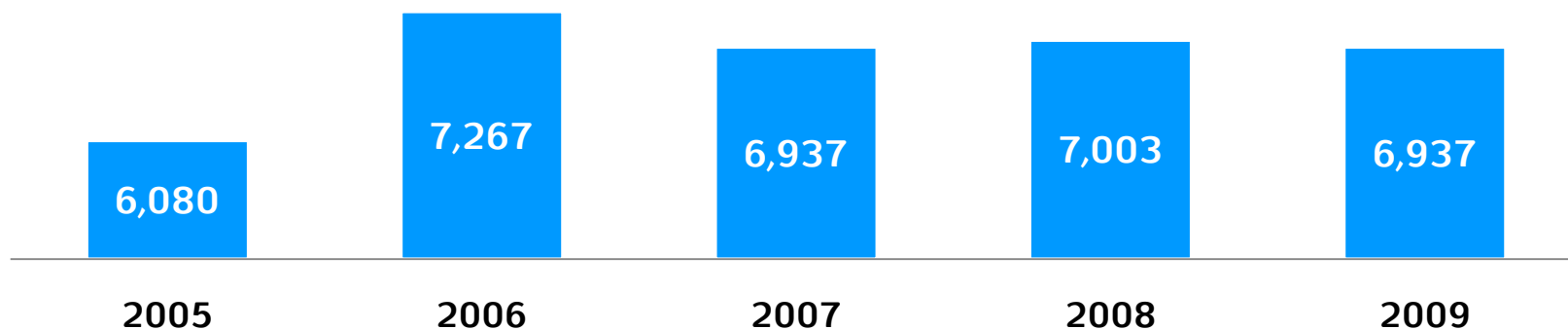
NIS millions



	2009	2008	Δ	Δ%
Operating Commissions	3,511	3,538	(27)	(0.8)
Income (losses) from investments in shares	707	(912)	1,619	+
Other Income	345	174	171	98.3
Total	4,563	2,800	1,763	63.0

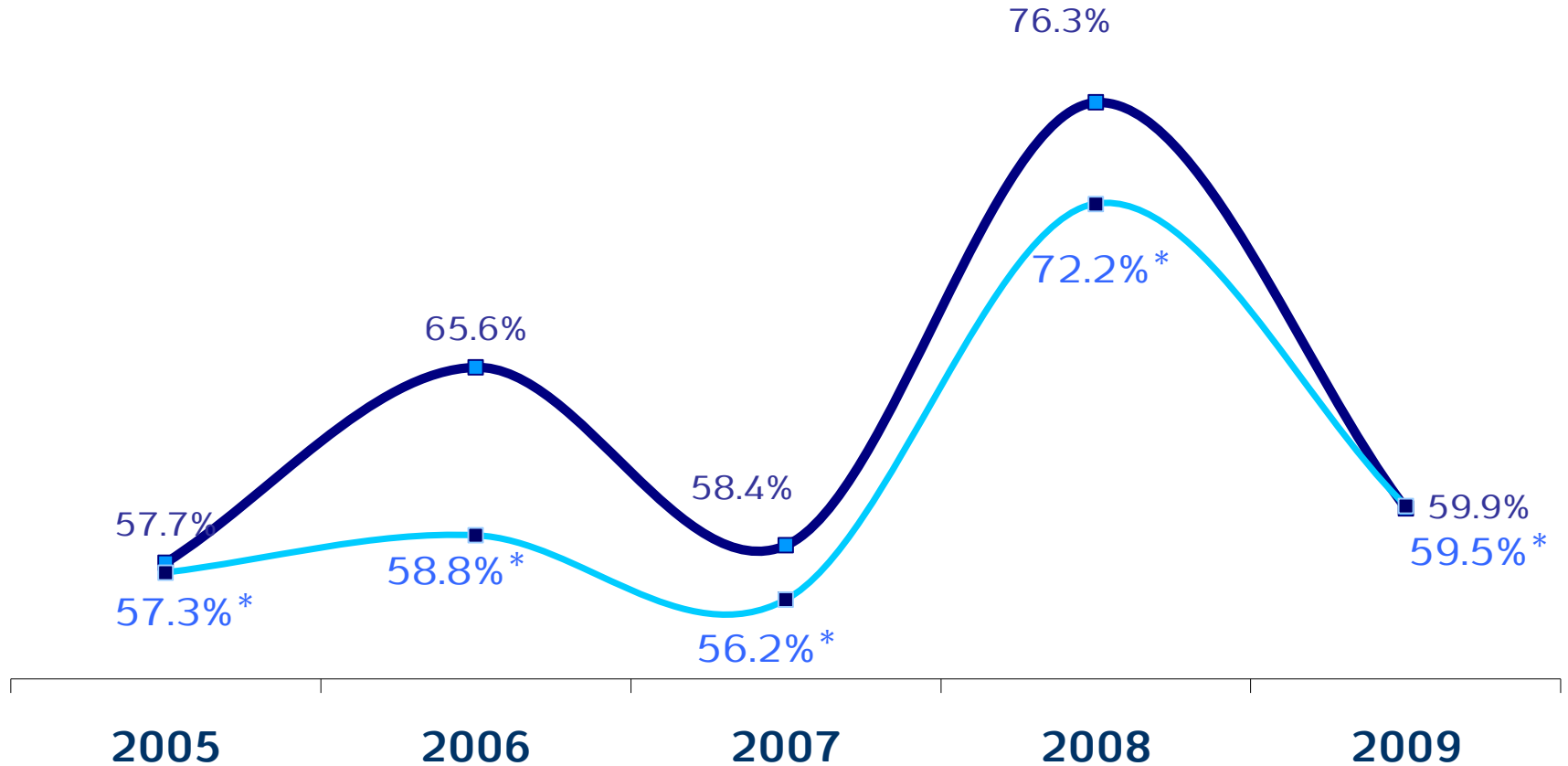
While operating expenses remained stable

NIS millions



	2009	2008	Δ	Δ%
Salaries and related expenses	4,052	4,118	(66)	(1.6)
Building and equipment maintenance and depreciation	1,514	1,397	117	8.4
Other expenses	1,371	1,488	(117)	(7.9)
Total	6,937	7,003	(66)	(0.9)

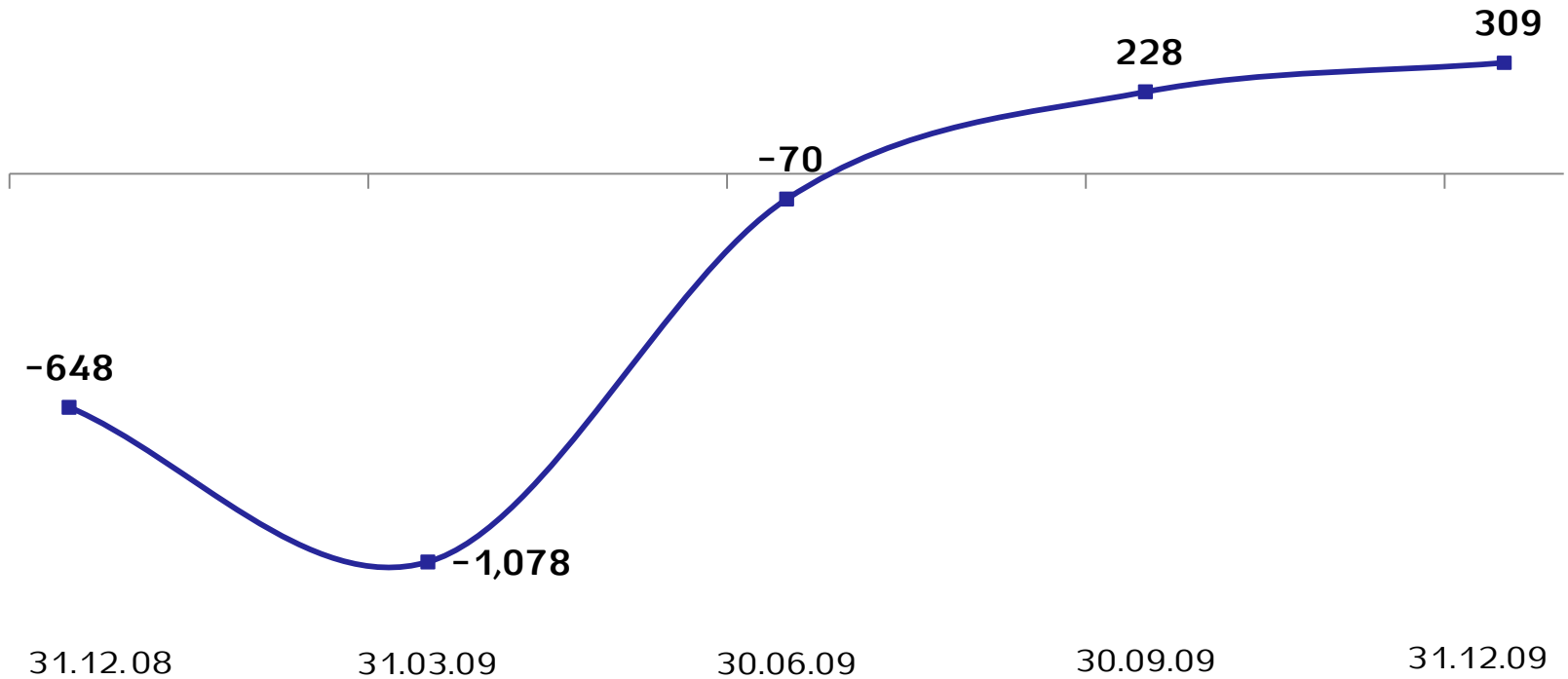
Cost/Income ratio below 60% and near 05'-07' levels



* Adjusted for special salary expenses

A sharp improvement of NIS 957 million in Other Comprehensive Income

Other Comprehensive Income*

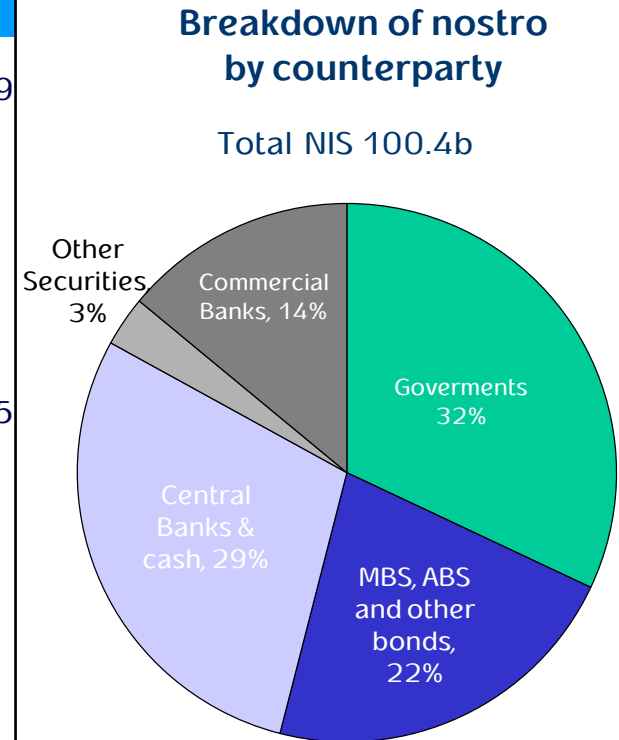


* Net balances in shareholders' equity (net adjustments in respect of available-for-sale securities)

Nostro's risk profile kept low, with over 60% of investments with governments and central banks

31 December 2009, NIS billions

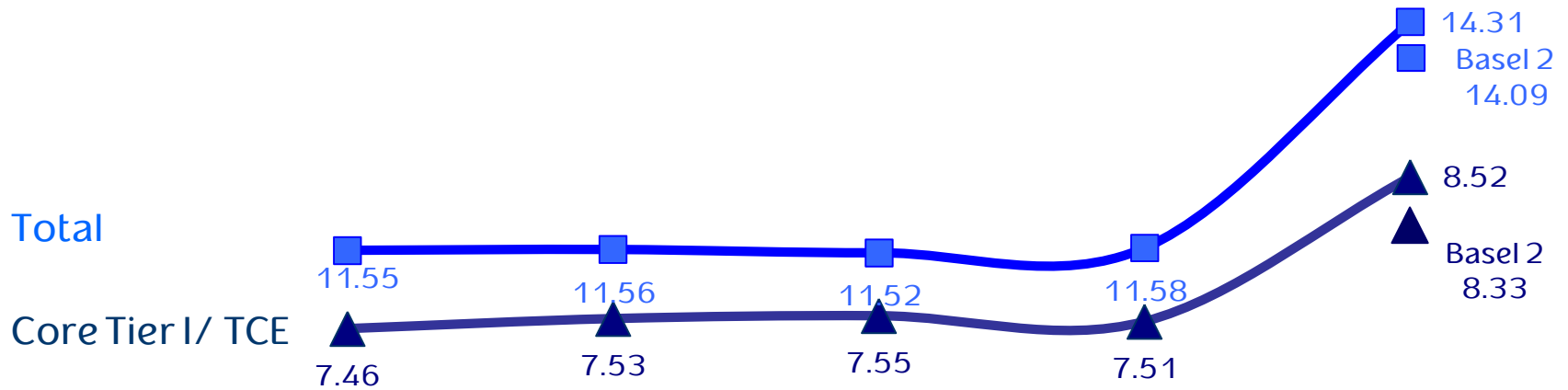
Investments in securities by asset class			Deposits with Banks	
Israeli Government Bonds	28.7	52.0%	Central Banks	26.9
Bonds of Foreign Banks & Foreign Governments	19.0	35.0%	{ BOI 24.2 { Abroad 2.7	
MBS	4.9	9.0%		
ABS	1.1	2.0%	Banks and Financial Institutions abroad	12.5
Corporate Bonds in Israel	1.2	2.0%		
Total Bonds	54.9	96.0%	Banks in Israel	1.6
Shares of Israeli companies *	2.0	3.0%		
Funds/Shares abroad	0.6	1.0%	Cash w/ BOI	1.9
Total Securities Portfolio	57.5	100%	Total Deposits	42.9



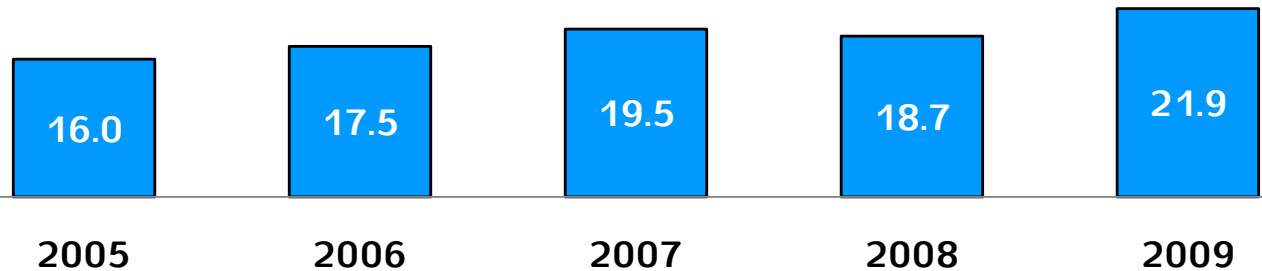
* Principally: Migdal, Super-Pharm, Partner

Leumi enjoys a stronger than ever capital position

Capital to risk weighted assets, %



Development of Capital
NIS billions



Strategic priorities of banking business remain mostly unchanged

Domestic

- Maintain focus of growth efforts on high RoE/low consuming capital business segments
- Enhance technology and services provided through direct channels, in and outside branch network
- Execute programs to increase cost efficiency in retail network and other major cost centers
- Continue upgrading of risk management organization, capabilities and processes

International

- Maintain focus on existing international platform and identify growth opportunities, both organically and through M&A activities
- Enhance synergies between headquarters and international subsidiaries

A strong balance sheet supports growth plans

Solid capital base

- BIS 14.31%; Core Tier 1 8.52%
- Basel 2: BIS 14.09%; Core Tier 1 8.33%

Liquid balance sheet

- Deposit/loan ratio 122%

'Plain vanilla' balance sheet

- Credit to total assets: 64%
- Deposits to total assets: 78%

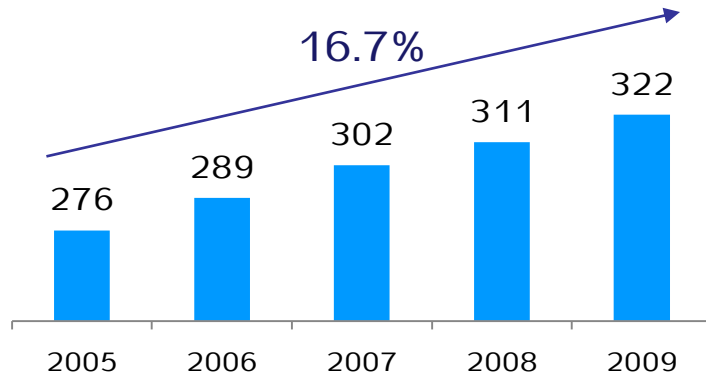
Credit quality

- NPL: 0.9% of total credit

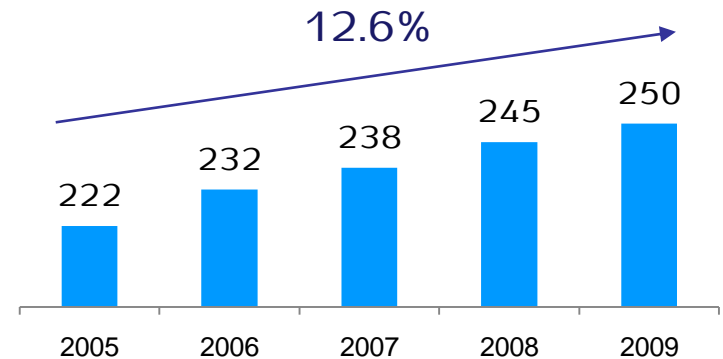
As evidenced by recent years growth patterns

NIS billions

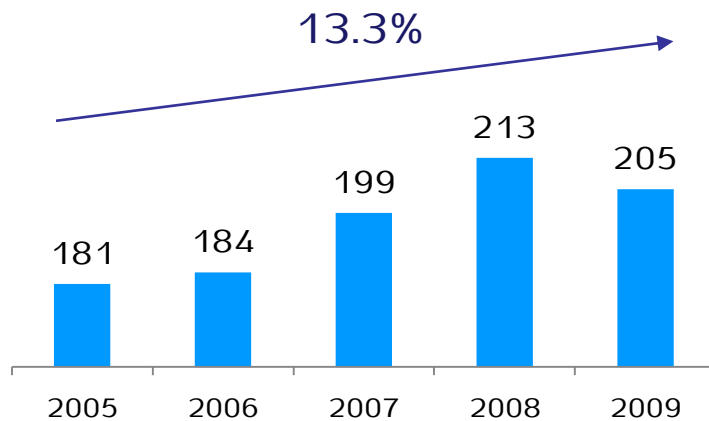
Total assets



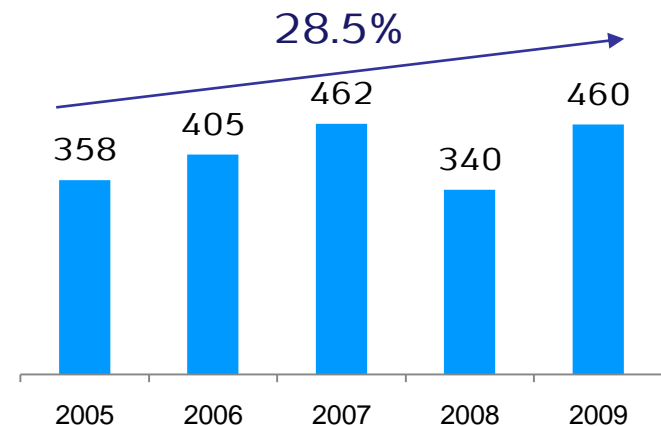
Deposits



Credit



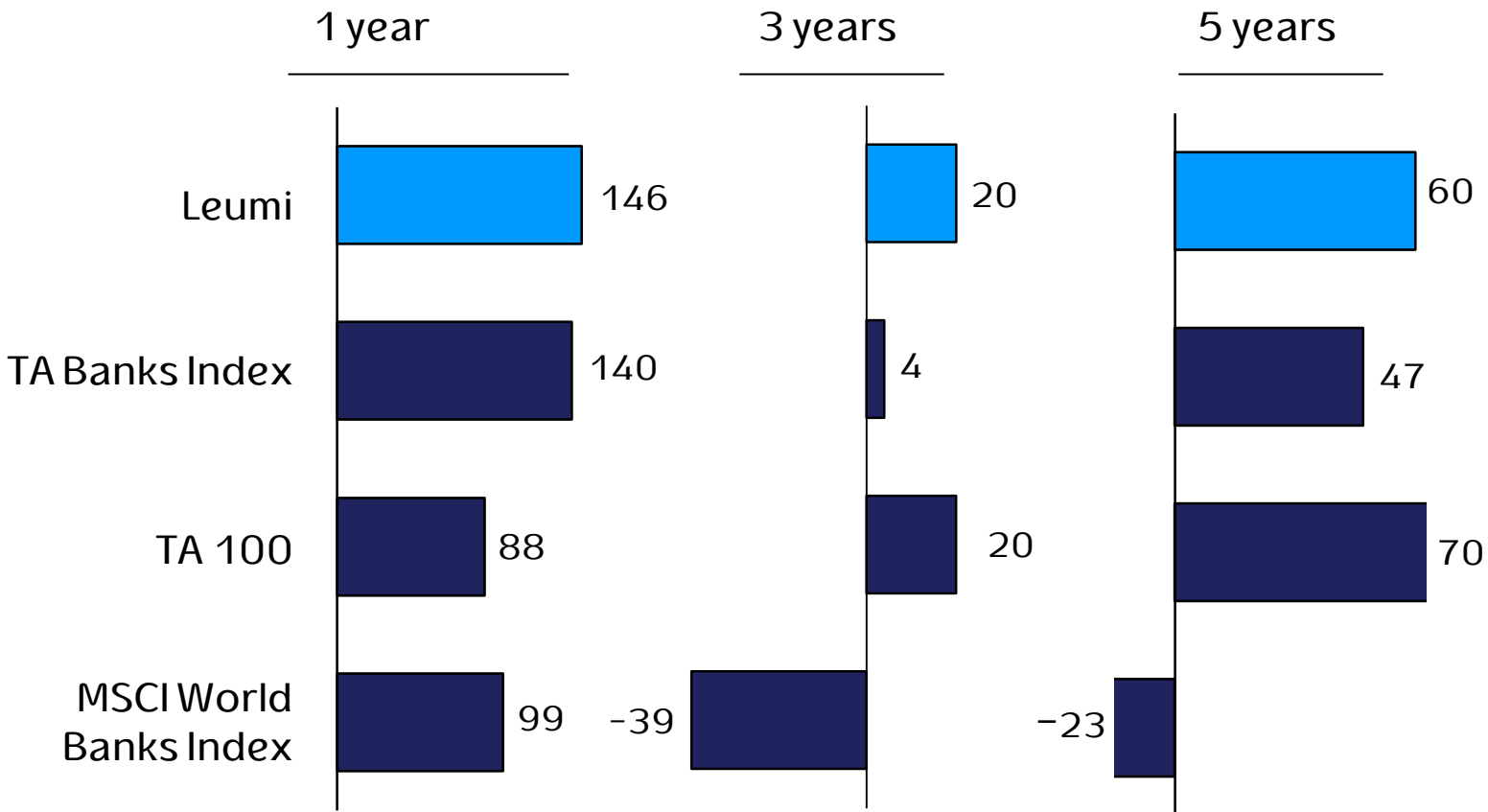
Off-balance sheet



Leumi's consistent strategy and performance delivered its shareholders superior returns

as of 16/03/10, %

Shareholders' Returns*



* Stock appreciation & dividends

Thank You

Wherever you wish to go, Leumi is with you

