

Net profit of NIS 1.256 billion (\$324 million) in the first half of 2010

Compared with NIS 936 million (\$241.6 million) in the first half of 2009, an increase of 34.2%

August 31, 2010

Net profit of NIS 660 million (\$170.3 million) in the second quarter of 2010

Compared with NIS 507 million (\$130.8 million) in second quarter of 2009, an increase of 30.2%

- ▶ Net operating profit amounted to NIS 1,070 million (\$276.1 million) in the first half of 2010, and NIS 478 million (\$123.3 million) in the second quarter of 2010
- ▶ Net return on equity: 11.5% for the first half of 2010 (on an annual basis) and 12.1% for the second quarter of 2010 (on an annual basis)
- ▶ Leumi's Board of Directors in its meeting on 30.8.2010 approved the distribution of a dividend of NIS 500 million in respect of profits for the first half of 2010. The dividend distribution is subject to approval by the General Meeting of the Bank
- ▶ The capital adequacy ratio at the end of the first half of 2010, after payment of the dividend, reached 14.78% of which Core Tier I capital was 8.52%
- ▶ There was continued credit growth: credit to the public increased by 3.8% in relation to the end of 2009 and amounted to NIS 212.5 billion (\$54.8 billion)

Leumi Group today published its financial statements for the first half of 2010.

Net profit for the Group in the first half of 2010 amounted to NIS 1,256 million (324.1 million), compared with NIS 936 million (\$241.6 million) in the same period last year, an increase of 34.2%. In the second quarter of 2010 the net profit amounted to NIS 660 million (\$170.3 million), compared with NIS 507 million (\$130.8 million) in the same period last year, an increase of 30.2%.

The net profit for the second quarter of 2010 includes, among other items, an extraordinary profit of NIS 182 million (\$47.0 million), mainly resulting from the sale of shares in Paz Oil Co. Ltd. held by Leumi.

Net operating profit in the first half of 2010 amounted to NIS 1,070 million (\$276.1 million), compared with NIS 908 million (\$234.3 million) in the same period last year, an increase of 17.8%. In the second quarter of 2010, the net operating profit amounted to NIS 478 million (\$123.3 million), compared with NIS 480 million (\$123.9 million) in the same period last year, a decrease of NIS 2 million (\$0.6 million).

Net return on equity in the first half of 2010 was 11.5% (on an annual basis), compared with 10.2% in the same period last year, and the net return on operating profit in the first half of 2010 was 9.8% (on an annual basis), compared with 9.9% in the same period last year.

Leumi's Board of Directors in its meeting on August 30, 2010 approved the **distribution of a dividend** of NIS 500 million representing some 40% of the net profit for the first six months of 2010. The effective date for payment is November 16, 2010, the ex-dividend date is November 17, 2010, and the dividend distribution date is November 30, 2010. The dividend distribution is subject to approval by the General Meeting of the Bank. Leumi's capital adequacy ratio is significantly higher than the minimum required by the Bank of Israel and was at the end of the first half of 2010, after payment of the dividend, 14.78%, of which core Tier I capital was 8.52%.

Additional data from the financial statements:

- ▶ **Total assets of the Leumi Group** on June 30, 2010 amounted to NIS 328.3 billion (\$84.7 billion), compared with NIS 319.3 billion (\$82.4 billion) on June 30, 2009 (an increase of 2.8%) and with NIS 321.8 billion (\$83.0 billion) on December 31, 2009 (a increase of 2.0%).
- ▶ **Credit to the public** on June 30, 2010 amounted to NIS 212.5 billion (\$54.8 billion), compared with NIS 207.2 billion (\$53.5 billion) on June 30, 2009 (an increase of 2.5%) and with NIS 204.7 billion (\$52.8 billion) on December 31, 2009 (an increase of 3.8%).
- ▶ **Deposits of the public** on June 30, 2010 amounted to NIS 251.7 billion (\$65.0 billion), compared with NIS 253.3 billion (\$65.4 billion) on June 30, 2009 (a decrease of 0.6%) and with NIS 250.4 billion (\$64.6 billion) on December 31, 2009 (an increase of 0.5%).
- ▶ **Shareholders' equity** of the Group on June 30, 2010 amounted to NIS 23.5 billion (\$6.1 billion), compared with NIS 20.2 billion (\$5.2 billion) on June 30, 2009 (an increase of 16.2%) and with NIS 21.9 billion (\$5.7 billion) on December 31, 2009 (an increase of 7.4%).

The increase in the Group's net profit in the first half of 2010, compared with the corresponding period last year, is explained primarily by the following factors:

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

Country Exposure (PIGS):

- An increase in net profit from extraordinary activities of NIS 158 million (\$40.8 million).
- A decrease in the provision for doubtful debts of NIS 367 million (\$94.7 million), before the effect of tax, a decrease of 53%.
- An increase in the Group's share in the profits of companies included on the equity basis of NIS 232 million (\$59.9 million), net.
- An increase in net interest income before provision for doubtful debts of NIS 158 million (\$40.8 million), before the effect of tax, an increase of 4.8%.
- An increase in operating and other income, of NIS 22 million (\$5.7 million), before the effect of tax.
- Salary expenses rose by NIS 563 million (\$145.3 million) in the first half of 2010, and by 31.1%, compared with the corresponding period in 2009. A substantial part of the increase in salary expenses derives primarily from a sharp decrease in the profits of the severance pay fund, from 8% in the first half of 2009 to 2.8% in the first half of 2010, and in the profits of the pension fund from 15.3% in the first half of 2009 to 0.74% in the first half of 2010.
- An increase in the effective tax rate.

In view of the financial crisis in some of the Eurobloc countries, the Bank continues to carefully monitor exposures to Greece, Portugal, Spain, and Ireland (the "PIGS" countries). There was a decrease in Leumi's overall exposure to these countries during the second quarter of 2010, which amounted to some NIS 739 million (\$191 million), of which NIS 512 million (\$131.9 million) is to Spain, and NIS 204 million (\$52.6 million) is to Ireland.

Leumi Group – principal data
from the Financial Statements:

Profit and Profitability (in NIS millions)

	For the 6 months ended June 30			For the 3 months ended June 30		
	2010	2009	% Change	2010	2009	% Change
Net interest income before provision for doubtful debts	3,446	3,288	4.8	1,639	1,926	(14.9)
Provision for doubtful debts	326	693	(53.0)	196	339	(42.2)
Operating and other income	2,038	2,016	1.1	1,039	1,013	2.6
Operating and other expenses	3,817	3,204	19.1	1,984	1,640	21.0
Net operating profit	1,070	908	17.8	478	480	(0.4)
Net profit for the period	1,256	936	34.2	660	507	(30.2)

Return on net operating profit	9.8%	9.9%	-	87%	10.4%	-
Return on net profit	11.5%	10.2%	-	12.1%	11.1%	-

Development of Balance Sheet Items (in NIS billions)

	As at 30.6.10	As at 30.6.09	As at 31.12.09	% Change compared with 30.6.09	% Change compared with 31.12.09
Total assets	328.3	319.3	321.8	2.8	2.0
Credit to the public	212.5	207.2	204.7	2.5	3.8
Deposits of the public	251.7	253.3	250.4	(0.6)	0.5
Shareholders' equity	23.5	20.2	21.9	16.2	7.4

Principal Financial Ratios (in %)

	30.6.10	30.6.09	31.12.09
Credit to the public to total assets	64.7	64.9	63.6
Deposits of the public to total assets	76.7	79.3	77.8
Total shareholders' equity to risk assets (capital adequacy ratio)	14.78	12.85*	14.09
Tier I capital to risk assets	8.52	8.08*	8.33
Provision for doubtful debts from credit to the public	0.31	0.67	0.74
Financial margin	1.01	0.90	1.10
Operating expenses to total income (efficiency ratio)	69.6	60.4	59.9

* as per Basel I

The data in this Press Release has been converted into US dollars solely for convenience, at the representative rate of exchange published by the Bank of Israel prevailing on June 30, 2010, NIS 3.875.