

Net Profit of NIS 429 million (102.4 million) for Leumi in the first quarter of 2009

Net Return on Equity: 9.7% (on an annual basis)

- ▶ Net profit amounted to NIS 429 million (\$102.4 million)
- ▶ Net return on equity in the first quarter of 2009: 9.7% (on an annual basis)
- ▶ The capital adequacy ratio reached 11.90%, of which Tier I Capital is 7.73%
- ▶ Reduction of 12.8% in operating and other expenses, to NIS 1,564 million (\$373.4 million), mainly as a result of a decrease in salary expenses
- ▶ In the last month, in order to improve the capital adequacy ratio, the Bank issued subordinated capital notes of different types, in the amount of some NIS 2.5 billion

Wherever you wish to go, Leumi is with you.



**Additional data from
the Financial Statements:**

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

**The Leumi Group today published its financial statements for the
first quarter of 2009:**

Net profit in the first quarter of 2009 amounted to NIS 429 million (\$102.4 million), compared with NIS 470 million (\$112.2 million) in the same period last year, a decline of 8.7%. **Net operating profit** in the first quarter of 2009 was similar to the net profit and amounted to NIS 428 million (\$102.2 million), compared with NIS 472 million (\$112.7 million) in the same period last year.

Net return on equity in the first quarter of 2009 was 9.7% (on an annual basis), compared with 9.8% in the same period last year.

- ▶ **Total assets of the Leumi Group** on March 31, 2009 amounted to NIS 318.1 billion (\$75.9 billion), compared with NIS 298.2 billion (\$71.2 billion) on March 31, 2008 (an increase of 6.6%), and with NIS 310.8 billion (\$74.2 billion) on December 31, 2008 (an increase of 2.3%).
- ▶ **Credit to the public** on March 31, 2009 amounted to NIS 212.9 billion (\$50.8 billion), compared with NIS 200.2 billion (\$47.8 billion) on March 31, 2008 (an increase of 6.3%) and with NIS 213.2 billion (\$50.9 billion) on December 31, 2008 (a decrease of 0.2%).
- ▶ **Deposits from the public** on March 31, 2009 amounted to NIS 254.6 billion (\$60.8 billion), compared with NIS 228.2 billion (\$54.5 billion) on March 31, 2008 (an increase of 11.6%) and with NIS 244.8 billion (\$58.4 billion) on December 31, 2008 (an increase of 4.0%).
- ▶ **The shareholders' equity** of the Group on March 31, 2009 amounted to NIS 18.8 billion (\$4.5 billion), compared with NIS 19.7 billion (\$4.7 billion) on March 31, 2008 (a decrease of 4.5%) and with NIS 18.7 billion (\$4.5 billion) on December 31, 2008 (an increase of 0.9%).
- ▶ A decrease in net interest income before provision for doubtful debts in the amount of NIS 598 million (\$142.8 million) (before the effect of tax), primarily as a result of activity in derivatives and exchange rate differentials for coverage of investments abroad.
- ▶ An increase in provisions for doubtful debts in the amount of NIS 110 million (\$26.3 million) (before the effect of tax).
- ▶ A decrease in the Group's share of the profits of companies included on the equity basis, in the amount of NIS 53 million (\$12.7 million), net.

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

- ▶ A 12.8% decrease in operating and other expenses (including salary expenses), in the amount of NIS 230 million (\$54.9 million) (before the effect of tax), resulting primarily from a decrease in salary expenses. The decrease in salary expenses results primarily from positive yields in the severance pay fund and the provident fund which serve as a reserve for coverage of pension liabilities for employees, compared with a negative yield in the corresponding period.
- ▶ An increase of 17.9% in operating and other income in the amount of NIS 152 million (\$36.3 million) (before the effect of taxes).
- ▶ A decrease in the effective tax rate, primarily as a result of positive exchange rate differentials in respect of overseas investments.

Capital Fund

As a result of the continued global financial crisis and the decline in value of bonds, a net decline of NIS 430 million (\$102.7 million) was recorded in shareholders' equity for the first quarter of 2009, compared with a net decline of NIS 495 million (\$118.2 million) in the same period last year. As at March 31, 2009, the net total accumulated balance of adjustments to market value of securities held in the available for sale portfolio, is a negative amount of NIS 1,078 million (\$257.4 million), (after the effect of tax).

In the first quarter of 2009, the profit and loss statement recorded profits from the sale of bonds held in the available for sale portfolio and in the trading portfolio, from adjustments to the market value of the bonds held for trading, and from offsetting the decline in value of available for sale bonds, in the amount of NIS 256 million (\$61.1 million), compared with a profit of NIS 102 million (\$24.4 million) in the same period last year.

From March 31, 2009 through the middle of May 2009, there has been an improvement in the negative fund of some NIS 592 million (\$141.4 million) (before the effect of tax).

Issue of different types of Subordinated Capital Notes

With the objective of improving and strengthening capital adequacy, the Bank is planning to issue various capital notes during the course of 2009, including hybrid capital instruments. The amount of the issues will be determined during the year subject to business developments, as well as the terms and types of issues will be determined close to the dates of issue. In April and May 2009, the Bank raised in a private issue to institutional investors an amount of NIS 1.0 billion in subordinated capital notes that are recognized as upper tier II capital by the Bank of Israel. In May 2009, Leumi Finance Company issued lower tier II subordinated capital notes in the amount of NIS 1.5 billion.

Leumi Group – main data from
the Financial Statements:

Profit and Profitability (in NIS millions)			
	For the 3 months ended		Rate of change (%)
	31.3.09	31.3.08	
Net interest income before provision for doubtful debts	1,362	1,960	(30.5)
Provision for doubtful debts	354	244	45.1
Operating and other income	1,003	851	17.9
Operating and other expenses	1,564	1,794	(12.8)
Net operating profit	428	472	(9.3)
Net profit for the period	429	470	(8.7)
Return on net profit	9.7	9.8%	-
Return on net operating profit	9.6	9.8%	-

Development of Balance Sheet Items (in NIS billions)					
	As at 31.3.09	As at 31.3.08	As at 31.12.08	% Change compared with 31.3.08	% Change compared with 31.12.08
Total assets	318.1	298.2	310.8	6.6	2.3
Credit to the public	212.9	200.2	213.2	6.3	(0.2)
Deposits of the public	254.6	228.2	244.8	11.6	4.0
Shareholders' equity	18.8	19.7	18.7	(4.5)	0.9

Principal Financial Ratios (in %)			
	31.3.09	31.3.08	31.12.08
Credit to the public to total assets	66.9	67.1	68.6
Deposits of the public to total assets	80.0	76.5	78.8
Total shareholders' equity to risk assets (capital adequacy ratio)	11.90	11.91	11.58
Tier I capital to risk assets	7.73	7.73	7.51
Provision for doubtful debts from credit to the public	0.67	0.49	1.01
Financial margin	0.16	1.73	1.63
Operating expenses to total income (efficiency ratio)	66.1	63.8	76.3

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, 2009, NIS 4.188.