

The Leumi Group financial statements for 2009:

Leumi reports the highest net profit in the Israeli banking system: NIS 2.014 billion (\$533.5 million) in 2009

March 25, 2010

- ▶ Net return on equity in 2009 - 10.2%
- ▶ The Bank's capital adequacy remains high in relation to the Israeli banking system:
- ▶ According to Basel 2 - Capital adequacy: 14.09%, of which Tier 1 capital ratio is 8.33%
- ▶ According to Basel 1 - Capital adequacy: 14.31%, of which Tier 1 capital ratio is 8.52%
- ▶ An increase of NIS 2.4 billion (\$636 million) (26.2%) in total income (interest and operating) in 2009, to NIS 11.6 billion (\$3.07 billion)
- ▶ Shareholders' equity of the Bank amounted to NIS 21.9 billion (\$5.8 billion) at the end of 2009
- ▶ In 2009, contributions and sponsorships of the Leumi Group for community and social causes amounted to NIS 26.5 million (\$7.0 million)
- ▶ For the first time the Bank is publishing its capital adequacy target:
Capital ratio: 14.0%-14.5%; Tier 1 capital: 8.0%-8.5%

Leumi is with you.





Eitan Raff, Chairman of the Board:

"It is with great satisfaction that I am now completing 15 years as Chairman of the Board of the leading and most profitable Banking Group in Israel. During these 15 years, we dramatically increased our scope of activities and our market share in the Banking sector; we tripled our balance sheet and quadrupled our equity and our market cap. The secret of this success stemmed from the remarkable chemistry that prevailed between the Chairman of the Board and the Chief Executive Officer throughout the entire period; the long term stability of the winning management team; the positive relations between the management and the representative body of the employees. Each and every piece of this intricate puzzle takes its correct place within the whole picture. This is indeed the proper governance for one of the leading organizations in the Israeli business sector. I am positive that this very governance that has evolved into a business culture throughout the years will guide and form Leumi in the future".



Galia Maor, CEO & President of the Leumi Group:

"Leumi is presenting today the highest net profit of the Israeli Banking Sector. The results clearly express the emergence from the economic crisis and the recovery of the financial markets. Moreover, these results are the outcome of the meticulous implementation of a prudent business strategy; the safeguarding of the interests of all the bank's stakeholders; responsible risk management and the adherence to the strictest code of ethics and corporate governance. It is our fervent duty to ensure the leading position of the Group in the years to come. We strive to lead the group forward and to further develop our activities in Israel and abroad. In the framework of our long term strategic perspective, we will continue to focus on two main areas. Firstly, we will guarantee appropriate risk management capabilities, tools and processes of the Group's exposures. Secondly, we will enhance the positive customer experience we provide to our clientele, across all channels. We, at Leumi, will initiate, invest and continue leading in these realms".

**Net Profit of the Leumi Group
in 2009 amounted to
NIS 2,014 million (\$533.5 million)**

**Additional data from
the financial
statements:**

The Leumi Group today published its audited financial statements for 2009.

Net Profit of the Leumi Group in 2009 amounted to NIS 2,014 million (\$533.5 million), compared with a profit of NIS 92 million (\$24.4 million) in 2008. The low net profit for 2008 resulted from the effect of the global financial crisis, continued declines in share prices in stock markets throughout the world and in Israel, the collapse of leading financial institutions around the world and the detrimental effect of all of these on the state of the economy in Israel, and on the business of the Leumi Group in Israel and overseas. The improvement in 2009 derived mainly from the end of the recession in economies worldwide, including that of Israel, and of the recovery of the markets from the financial crisis of 2008 in Israel and around the world.

Net operating profit in 2009 amounted to NIS 1,986 million (\$526.1 million), compared with an operating loss of NIS 158 million (\$41.9million) in 2008.

Net return on equity in 2009 was 10.2%, compared with 0.5% in 2008.

Return on net operating profit in 2009 was 10.1%, compared with a negative return of 0.8% in 2008.

- **Total assets under management of the Leumi Group**, balance sheet and off-balance sheet, totaled some NIS 782 billion (\$207 billion) on December 31, 2009, compared with NIS 651 billion (\$172 billion) on December 31, 2008 (an increase of 20%).
- **Total assets** of the Leumi Group on December 31, 2009 amounted to NIS 321.8 billion (\$85.2 billion), compared with NIS 310.8 billion (\$82.3billion) on December 31, 2008 (an increase of 3.5%).
- **Credit to the public** on December 31, 2009 amounted to NIS 204.7 billion (\$54.2 billion), compared with NIS 213.2 billion (\$56.5 billion) on December 31, 2008 (a decrease of 4.0%).
- **Deposits of the public** on December 31, 2009 amounted to NIS 250.4 billion (\$66.3 billion), compared with NIS 244.8 billion (\$64.8 billion) on December 31, 2008 (an increase of 2.3%).
- **Shareholders' equity** of the Group on December 31, 2009 amounted to NIS 21.9 billion (\$5.8 billion), compared with NIS 18.7 billion (\$4.9 billion) on December 31, 2008 (an increase of 17.1%).
- **The ratio of shareholders' equity to risk assets (capital adequacy)** remained high in relation to the Israeli banking system. According to the rules of Basel 1 the capital adequacy ratio on December 31, 2009 was 14.31%, compared with 11.58% on December 31, 2008. Tier 1 capital ratio to risk assets on December 31, 2009 was 8.52%, compared with 7.51% on December 31, 2008. According to the rules of Basel 2 the capital adequacy ratio on December 31, 2009 was 14.09%, and Tier 1 capital ratio to risk assets on December 31, 2009 was 8.33%.



The increase in net profit in 2009 compared with 2008 is explained mainly by the following factors:

As mentioned, 2009 was characterized by the recovery from the global financial crisis. The direct result of this recovery was a reduction in the provision for doubtful debts, and profits on revaluation and realization of part of the investments in securities in Israel and abroad compared with losses in 2008.

During 2009 there was an improvement in the capital fund which became positive. The net improvement in 2009 was in the amount of NIS 957 million (\$253.5 million) and its total accumulated net balance, in respect of securities held in the available-for-sale portfolio, amounted on December 31, 2009 to a positive amount of NIS 309 million (\$81.9 million) (after the effect of tax), compared with a negative amount of NIS 648 million (\$171.6 million) (after the effect of tax) at the end of 2008.

- ▶ An increase in operating and other income amounting to NIS 1,763 million (\$467 million), an increase of 63.0% before the effect of tax, primarily from profits from investments in shares.
- ▶ An increase in interest income before provision for doubtful debts, amounting to NIS 643 million (\$170.3 million), an increase of 10.1% before the effect of tax.
- ▶ A decrease in the provision for doubtful debts amounting to NIS 628 million (\$166.3 million), before the effect of tax, a decrease of 29.3%.
- ▶ A decrease in the effective tax rate.

On the other hand, the following factors partially offset the increase in profit in 2009:

- ▶ A decline in the Group's share in the profits of companies included on equity basis in the net amount of NIS 168 million (\$44.5 million).
- ▶ A decrease in profit from extraordinary activities in the amount of NIS 222 million (\$58.8 million).

Capital adequacy target

As part of its multi-year strategy, and because of the risk management concept deriving from this strategy, the Bank has, over the years, been careful in maintaining a very high level of capital adequacy. In the last 5 years, Leumi's shareholders' equity grew by 35%, and that is after distributing a dividend amounting to NIS 5.3 billion (\$1.4 billion). Leumi is announcing today, for the first time, a capital adequacy target for the next year. The capital adequacy target of Leumi (according to Basel 2) is: 14.0%-14.5%, and the Tier 1 target is: 8.0%-8.5%.

Summary of the 2009
results of the subsidiaries
in the Leumi Group



Leumi Mortgage Bank:

Leumi Mortgage Bank ended 2009 with a net profit of NIS 131 million (\$34.7 million), compared with NIS 126 million (\$33.4 million) in 2008. Credit to the public, which represents the Bank's main activity, amounted to NIS 43.7 billion (\$11.6 billion) at the end of 2009, compared with NIS 39.8 billion (\$10.5 billion) at the end of 2008. In 2009 the Bank granted new loans amounting to some NIS 9.0 billion (\$2.4 billion), compared with some NIS 8.4 billion (\$2.2 billion) in 2008. The capital adequacy of the Bank at the end of 2009 was 16.32% according to Basel 2 and 9.66% according to Basel 1.



Leumi Card:

The net operating profit of the company amounted in 2009 to NIS 138 million (\$36.6 million), compared with some NIS 129 million (\$34.2 million) in 2008, and the company's return on equity in 2009 amounted to 18.0%. The company's income amounted to NIS 820 million (\$217.2 million) in 2009, compared with NIS 789 million (\$209.0 million) in 2008. The number of valid credit cards held by customers amounted to some 1.75 million at the end of 2009, compared with some 1.6 million at the end of 2008.



Arab Israel Bank:

Arab Israel Bank ended 2009 with a net profit of NIS 79.3 million (\$21.0 million), compared with NIS 88.5 million (\$23.4 million) in 2008. The net return on equity was 21% in 2009. The Bank's total income amounted to NIS 334 million (\$88.5 million) in 2009, compared with NIS 337 million (\$89.3 million) in 2008. The capital adequacy of the Bank at the end of 2009 was 15.91% according to Basel 2 and 19.18% according to Basel 1.



Bank Leumi USA:

Bank Leumi USA ended 2009 with a net profit of \$6 million, compared with \$19 million in 2008. The decline in profit is explained by the severe crisis in the banking system and capital market in the U.S. and by a very conservative risk management policy. The Bank's total assets amounted to \$5.1 billion at the end of 2009, compared with \$5.8 billion at the end of 2008, and shareholders' equity amounted to some \$484 million at the end of 2009, compared with \$464 million at the end of 2008. The capital adequacy of the Bank at the end of 2009 was 14.47% (according to Basel 1).



Bank Leumi (UK):

Bank Leumi UK ended 2009 with a net profit of £2.2 million, compared with a loss of £4 million in 2008. The Bank's total assets amounted to £1.3 billion at the end of 2009, compared with £1.6 billion at the end of 2008, and shareholders' equity amounted to £101 million at the end of 2009, compared with £96 million at the end of 2008.



Bank Leumi Switzerland:

Bank Leumi Switzerland ended 2009 with a net profit of CHF 9 million, compared with CHF 4 million in 2008. Total assets under management of the Bank amounted to CHF 4.7 billion at the end of 2009, compared with CHF 4.9 billion at the end of 2008. The Bank's total assets amounted to CHF 1.5 billion at the end of 2009, compared with CHF 1.1 billion at the end of 2008.



Bank Leumi Romania:

Bank Leumi Romania ended 2009 with a net profit of \$4.3 million, compared with a profit of \$3 million in 2008. The Bank's total assets amounted to \$441 million at the end of 2009, compared with \$456 million at the end of 2008, and shareholders' equity amounted to \$93 million at the end of 2009, compared with \$87 million at the end of 2008.



Bank Leumi Luxembourg:

Bank Leumi Luxembourg ended 2009 with a net profit of €3.9 million, compared with a loss of €14.1 million in 2008. Total assets under management of the Bank amounted to €560 million at the end of 2009, compared with €443 million at the end of 2008. Total assets of the Bank amounted to €561 million at the end of 2009, compared with €740 million at the end of 2008.

Contribution to the community

Leumi, was established in 1902 as the financial arm of the Zionist movement, and has always made a point, since its formation, to be an active partner in the society and community in which it is located. As part of its ethos the Bank donates to different institutions and organizations in the areas of education, society, culture, art and health. In the past few years, the Bank has accentuated its support of education, encouraging entrepreneurship and the development of nurturing in youth in outlying areas.

Leumi is ranked in the top ten of the economy's leading companies that are rated by Ma'ale Social Responsibility Index. The Ma'ale rating examines the economy's leading companies in terms of their compliance with social responsibility criteria. The rating is based on detailed criteria in four key areas out of the all the areas of social responsibility for businesses: environmental protection, business ethics, work environment and human rights and community relations.

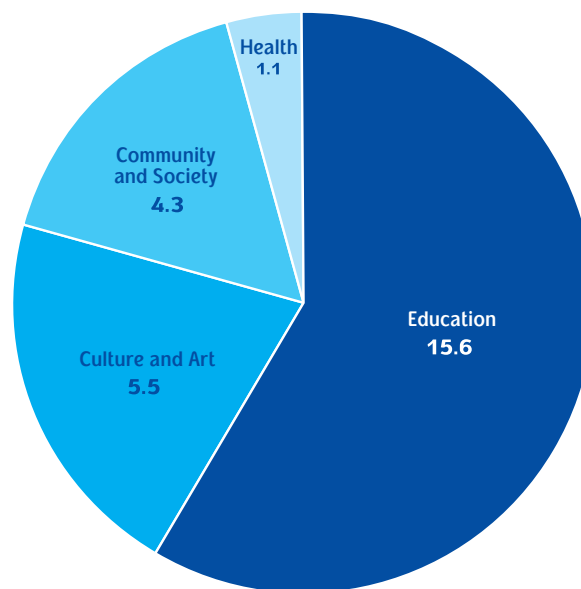
As part of its overall commitment to the community, Leumi encourages its employees to become involved with the community, and provides them with the infrastructure and the opportunity to volunteer and to contribute. Hundreds of employees are involved in voluntary activities carried out in the framework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



Below are details of donations and sponsorships in 2009 according to various categories (NIS millions):

In 2009, Leumi Group's contributions and sponsorships for community and social causes amounted to NIS 26.5 million (\$7.0 million). Of this some NIS 23 million (\$6.1 million) was in the form of donations. In the past five years (2005-2009), Leumi Group's contributions and sponsorships for social causes amounted to NIS 127 million (\$33.6 million)

- Education, children and youth - NIS 15.6 million (\$4.1 million)
- Culture and art - NIS 5.5 million (\$1.5 million)
- Community and society - NIS 4.3 million (\$1.1 million)
- Health - NIS 1.1 million (\$0.3 million)



Leumi Group – selected financial statement data

Profit and Profitability (in NIS millions)						
	Year ended December 31			Three months ended December 31		
	2009	2008	Rate of Change%	2009	2008	Rate of Change%
Net interest income before provision for doubtful debts	7,023	6,380	10.1	1,812	976	85.7
Provision for doubtful debts	1,517	2,145	(29.3)	381	1,090	(65.0)
Operating and other income	4,563	2,800	63.0	1,255	545	130.3
Operating and other expenses	6,937	7,003	(0.9)	1,975	1,801	9.7
Net operating profit	1,986	(158)	+	544	(1,184)	+
Net profit for the period	2,014	92	+	544	(1,183)	+
Return on net operating profit	10.1%	(0.8%)				
Return on net profit	10.2%	0.5%				

Development of Principal Balance Sheet Items (in NIS billions)			
	As at Dec. 31, 2009	As at Dec. 31, 2008	Rate of change %
Total assets	321.8	310.8	3.5
Credit to the public	204.7	213.2	(4.0)
Deposits of the public	250.4	244.8	2.3
Shareholders' equity	21.9	18.7	17.1

Principal Financial Ratios (%)		
	Year ended December 31	
	2009	2008
Credit to the public to total assets	63.6	68.6
Deposits of the public to total assets	77.8	78.8
Total shareholders' equity to risk assets (capital adequacy ratio - according to Basel 1)	14.31	11.58
Total shareholders' equity to risk assets (capital adequacy ratio - according to Basel 2)	14.09	
Tier 1 capital to risk assets (according to Basel 1)	8.52	7.51
Tier 1 capital to risk assets (according to Basel 2)	8.33	
Provision for doubtful debts from credit to the public	0.74	1.01
Financial margin	1.10	1.63
Operating expenses to total income (efficiency ratio)	59.9	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 December 31, 2009, which was NIS 3.775.