

# Financial statements of the Leumi Group for 30 September 2009:

## Net profit of NIS 1.47 billion (\$391.2 million) for Leumi in the first nine months of 2009

### Net profit of NIS 534 million (\$142.1 million) in the third quarter of 2009

- ▶ Net return on equity in the first nine months of 2009: 10.3% (on an annual basis) and in the third quarter 2009: 11.0% (on an annual basis).
- ▶ The capital adequacy ratio reached 14.1%, of which Tier I Capital is 8.4%.
- ▶ Total income (net interest income and operating and other income) increased by NIS 860 million (\$228.8 million) (11.2%) in the first nine months of 2009, to NIS 8.5 billion (\$2.3 billion)
- ▶ Operating and other expenses declined by some NIS 240 million (\$63.9 million) (4.6%) in the first nine months of 2009, primarily as a result of a 9.1% reduction in salary expenses.
- ▶ Net profit was influenced by, inter alia, the profit from the sale of the Bank's holdings in Hot, in the amount of NIS 115 million (\$30.6 million), and by the profit from the sale of Bezeq shares in the amount of NIS 55 million (\$14.6 million), which was partially offset by an increase in tax expenses in the amount of NIS 146 million (\$38.9 million), arising from the adjustment of deferred taxes due to the program for the reduction of companies tax rates.

**Additional data from  
the financial statements:**

**The increase in the Group's  
net profit during the first  
nine months of 2009,  
compared with the  
corresponding period last  
year, is primarily explained  
by the following factors:**

**The Leumi Group today published its financial statements for the  
third quarter and first nine months of 2009.**

**Net profit** of the Group in the first nine months of 2009 amounted to NIS 1,470 million (\$391.2 million), compared with NIS 1,275 million (\$339.3 million) in the same period last year, an increase of 15.3%. Net profit in the third quarter of 2009 amounted to NIS 534 million (\$142.1 million), compared with a loss of NIS 84 million (\$22.4 million) in the same period last year.

**Net operating profit** in the first nine months of 2009 amounted to NIS 1,442 million (\$383.7 million), compared with NIS 1,026 million (\$273.0 million) in the same period last year, an increase of 40.5%. In the third quarter of 2009, net operating profit amounted to NIS 534 million (\$142.1 million), compared with a loss of NIS 85 million (\$22.6 million) in the corresponding period last year.

**Net return on equity** in the first nine months of 2009 was 10.3% (on an annual basis), compared with 8.5% in the same period last year and the return on net operating profit was 10.1% (on an annual basis), compared with 6.8% in the same period last year.

- ▶ **Total assets of the Leumi Group** on September 30, 2009 amounted to NIS 323.6 billion (\$86.1 billion), compared with NIS 293.8 billion (\$78.2 billion) on September 30, 2008 (an increase of 10.1%), and with NIS 310.8 billion (\$82.7 billion) on December 31, 2008 (an increase of 4.1%).
- ▶ **Credit to the public** on September 30, 2009 amounted to NIS 204.0 billion (\$54.3 billion), compared with NIS 207.5 billion (\$55.2 billion) on September 30, 2008 (a decrease of 1.7%) and with NIS 213.2 billion (\$56.7 billion) on December 31, 2008 (a decrease of 4.3%).
- ▶ **Deposits from the public** on September 30, 2009 amounted to NIS 249.4 billion (\$66.4 billion), compared with NIS 225.9 billion (\$60.1 billion) on September 30, 2008 (an increase of 10.4%) and with NIS 244.8 billion (\$65.1 billion) on December 31, 2008 (an increase of 1.9%).
- ▶ **The shareholders' equity** of the Group on September 30, 2009 amounted to NIS 21.1 billion (\$5.6 billion), compared with NIS 19.6 billion (\$5.2 billion) on September 30, 2008 (an increase of 7.7%) and with NIS 18.7 billion (\$5.0 billion) on December 31, 2008 (an increase of 12.8%).
- ▶ An increase in operating and other income in the amount of NIS 1,053 million (\$280.2 million) (before the effect of tax). This increase includes, inter alia, the profit from the sale of the Bank's holdings in Hot, in the amount of NIS 180 million (\$47.9 million) (before the effect of tax), and profit from the sale of Bezeq shares in the amount of NIS 103 million (\$27.4 million) (before the effect of tax).
- ▶ A decrease in operating and other expenses (including salary expenses), in the amount of NIS 240 million (\$63.9 million) (before the effect of tax).
- ▶ A decrease in the effective tax rate.

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

- A decrease in the Group's share of profits from companies included on the equity basis, in the amount of NIS 471 million (\$125.3 million), net.
- A decrease in net interest income before the provision for doubtful debts, in the amount of NIS 193 million (\$51.4 million) (before the effect of tax).
- An increase in the provision for doubtful debts in the amount of NIS 81 million (\$21.6 million) (before the effect of tax).
- An increase in tax expenses in the amount of NIS 146 million (\$38.9 million), due to the updating of the Bank's deferred taxes, in accordance with the reduction of the future companies tax rate, pursuant to the Government's program for the reduction of companies tax rates.

#### **Capital Fund**

As a result of the recovery of the financial markets abroad and as a result of actions taken by the Bank, the capital fund became positive during the third quarter of 2009. On September 30, 2009, the total net accumulated balance in the capital fund with respect to securities held in the available-for-sale portfolio was a positive amount of NIS 228 million (\$60.7 million) (after the effect of tax), compared with a negative amount of NIS 648 million (\$172.4 million) (after the effect of tax) at the end of 2008 and a negative amount of NIS 70 million (\$18.6 million) (after the effect of tax) at the end of the second quarter of 2009. From September 30, 2009 through the end of October 2009, there was a further improvement in the capital fund and it amounted to NIS 426 million (\$113.4 million), (before tax), compared with NIS 346 million (\$92.1 million) (before tax) at the end of September 2009.

Leumi Group – main data from  
the Financial Statements:

Profit and Profitability (in NIS millions)						
	For the 9 months ended 30 September			For the 3 months ended 30 September		
	2009	2008	% Change	2009	2008	% Change
Net interest income before provision for doubtful debts	5,211	5,404	(3.6)	1,923	1,491	29.0
Provision for doubtful debts	1,136	1,055	7.7	443	495	(10.5)
Operating and other income	3,308	2,255	46.7	1,292	540	139.3
Operating and other expenses	4,962	5,202	(4.6)	1,758	1,746	0.7
Net operating profit	1,442	1,026	40.5	534	(85)	+
Net profit for the period	1,470	1,275	15.3	534	(84)	+

Return on net operating profit	10.1%	6.8%		11.0%	(1.6%)	
Return on net profit	10.3%	8.5%		11.0%	(1.6%)	

Development of Balance Sheet Items (in NIS billions)					
	As at 30.9.09	As at 30.9.08	As at 31.12.08	% Change compared with 30.9.08	% Change compared with 31.12.08
Total assets	323.6	293.8	310.8	10.1	4.1
Credit to the public	204.0	207.5	213.2	(1.7)	(4.3)
Deposits of the public	249.4	225.9	244.8	10.4	1.9
Shareholders' equity	21.1	19.6	18.7	7.7	12.8

Principal Financial Ratios (in %)			
	30.9.09	30.9.08	31.12.08
Credit to the public to total assets	63.0	70.6	68.6
Deposits of the public to total assets	77.1	76.9	78.8
Total shareholders' equity to risk assets (capital adequacy ratio)	14.14	12.20	11.58
Tier I capital to risk assets	8.39	7.92	7.51
Provision for doubtful debts from credit to the public	0.74	0.68	1.01
Financial margin	1.08	1.85	1.63
Operating expenses to total income (efficiency ratio)	58.2	67.9	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 September 30, 2009, NIS 3.758.