

# An Increase in Leumi's Profits in the First Quarter of 2010:

**Net profit of NIS 596 million (\$161 million) compared with NIS 429 million (\$116 million) in the same quarter last year, an increase of 38.9%**

May 27, 2010

- ▶ Net operating profit amounted to NIS 592 million (\$159 million), compared with NIS 428 million (\$115 million) in the same quarter last year, an increase of 38.3%
- ▶ Net return on equity: 11.2% (on an annual basis)
- ▶ Net interest income increased in the first quarter of 2010 by 32.7% amounting to NIS 1,807 million (\$487 million)
- ▶ Credit to the public increased by 1.4% in relation to the end of 2009 and amounted to NIS 207.6 billion (\$56 billion)
- ▶ The capital adequacy ratio reached 14.87%, of which Tier I capital is 8.43%.

**Additional data from  
the financial statements:**

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

**The Leumi Group today published its financial statements for the first quarter of 2010:**

**Net profit** for the Group in the first quarter of 2010 amounted to NIS 596 million (\$161 million), compared with NIS 429 million (\$116 million) in the same period last year, an increase of 38.9%. **Net operating profit** in the first quarter of 2010 amounted to NIS 592 million (\$159 million), compared with NIS 428 million (\$115 million) in the same period last year.

**Net return on equity** in the first quarter of 2010 was 11.2% (on an annual basis), compared with 9.7% in the same period last year.

- ▶ **Total assets of the Leumi Group** on March 31, 2010 amounted to NIS 317.6 billion (\$85.5 billion), compared with NIS 318.1 billion (\$76.0 billion) on March 31, 2009 (a decrease of 0.1%), and with NIS 321.8 billion (\$85.2 billion) on December 31, 2009 (a decrease of 1.3%).
- ▶ **Credit to the public** on March 31, 2010 amounted to NIS 207.6 billion (\$55.9 billion), compared with NIS 212.9 billion (\$50.8 billion) on March 31, 2009 (a decrease of 2.5%) and with NIS 204.7 billion (\$54.2 billion) on December 31, 2009 (an increase of 1.4%).
- ▶ **Deposits of the public** on March 31, 2010 amounted to NIS 244.6 billion (\$65.9 billion), compared with NIS 254.6 billion (\$60.8 billion) on March 31, 2009 (a decrease of 3.9%) and with NIS 250.4 billion (\$66.3 billion) on December 31, 2009 (a decrease of 2.3%).
- ▶ **Shareholders' equity** of the Group on March 31, 2010 amounted to NIS 22.7 billion (\$6.1 billion), compared with NIS 18.8 billion (\$4.5 billion) on March 31, 2009 (an increase of 20.5%) and with NIS 21.9 billion (\$5.9 billion) on December 31, 2009 (an increase of 3.8%).
- ▶ An increase in net interest income before provision for doubtful debts of NIS 445 million (\$120 million) (before the effect of tax), an increase of 32.7%.
- ▶ A decrease in the provision for doubtful debts of NIS 224 million (\$60 million) (before the effect of tax).
- ▶ An increase in the Group's share of the profits of companies included on the equity basis of NIS 51 million (\$14 million), net.

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

**Country Exposure (PIGS):**

**Capital Fund**

- An increase in operating and other expenses (including salary expenses), of NIS 269 million (\$72 million) (before the effect of tax).
- 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 these countries: Greece, Portugal, Spain, and Ireland (PIGS). Leumi's total exposure to these countries on March 31, 2010 amounted to some NIS 1.1 billion (\$289 million), of which NIS 749 million (\$202 million) is to Spain, and NIS 305 million (\$82 million) is to Ireland. The exposure to Ireland is principally to the Government of Ireland. Most of the exposure to Spain is to Banco Santander, S.A, whose income is derived primarily from outside of Spain. From March 31, 2010 to May 20, 2010 total exposure decreased to some NIS 778 million (\$210 million) of which NIS 533 million (\$144 million) is to Spain, and NIS 225 million (\$61 million) is to Ireland.

The improving trend that characterized the capital fund during 2009, also continued in the first quarter of 2010. The total net accumulated balance of the capital fund, in respect of securities held in the available-for-sale portfolio, amounted on 31.3.2010 to a positive amount of NIS 637 million (\$171.6 million) (after the effect of tax), compared with a positive amount of NIS 309 million (\$81.9 million) (after the effect of tax) on 31.12.2009.

Leumi Group – principal data  
from the financial statements:

Profit and Profitability (in NIS millions)			
	for the 3 months ended		Rate of change (%)
	31.3.10	31.3.09	
Net interest income before provision for doubtful debts	1,807	1,362	32.7
Provision for doubtful debts	130	354	(63.3)
Operating and other income	999	1,003	(0.4)
Operating and other expenses	1,833	1,564	17.2
Net operating profit	592	428	38.3
Net profit for the period	596	429	38.9

Return on net profit	11.2%	9.7%	-
Return on net operating profit	11.2%	9.6%	-

Development of Balance Sheet Items (in NIS billions)					
	As at 31.3.10	As at 31.3.09	As at 31.12.09	% Change compared with 31.3.09	% Change compared with 31.12.09
Total assets	317.6	318.1	321.8	(0.1)	(1.3)
Credit to the public	207.6	212.9	204.7	(2.5)	1.4
Deposits of the public	244.6	254.6	250.4	(3.9)	(2.3)
Shareholders' equity	22.7	18.8	21.9	20.5	3.8

Principal Financial Ratios (in %)			
	31.3.10	31.3.09	31.12.09
Credit to the public to total assets	65.4	66.9	63.6
Deposits of the public to total assets	77.0	80.0	77.8
Total shareholders' equity to risk assets (capital adequacy ratio)	14.87	11.90*	14.09
Tier I capital to risk assets	8.43	7.73*	8.33
Provision for doubtful debts from credit to the public	0.25	0.67	0.74
Financial margin	1.27	0.16	1.10
Operating expenses to total income (efficiency ratio)	65.3	66.1	59.9

\* As per Basel I

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, 2010, NIS 3.713.