

Leumi Group

First Quarter 2011 Financial Results Discussion



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The Israeli Economy: Withstanding adverse global financial factors

Strong GDP growth, fueled by private consumption

Declining government budget deficit

Public debt approaching average of OECD countries

Unemployment rate is low and declining

Inflation within price stability target

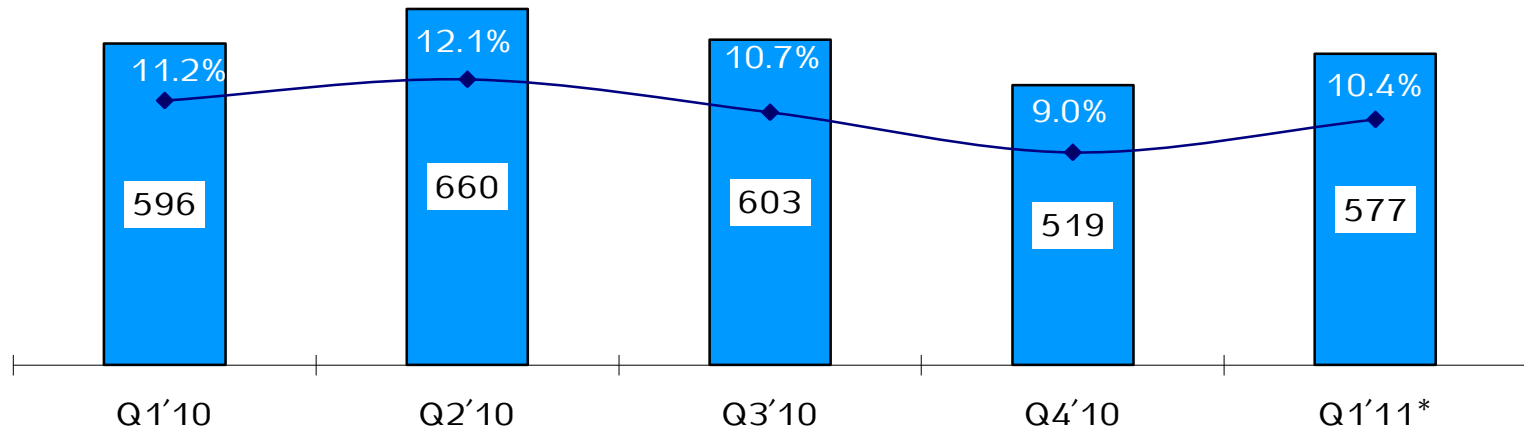
| Main Macroeconomic Variables | 2009 | 2010 | 2011* |
|---|--------|-------|-------|
| Annual Rates of Change, Real Terms | | | |
| GDP | 0.8% | 4.7% | 4.7% |
| Gross product of the business sector | 0.1% | 5.4% | 5.3% |
| Private consumption | 1.7% | 5.0% | 3.9% |
| Public consumption | 2.5% | 3.1% | 3.3% |
| Investment in fixed assets | -5.8% | 12.6% | 15.7% |
| Exports of goods and services | -12.5% | 13.4% | 7.0% |
| Imports of goods and services | -14.1% | 12.5% | 12.7% |
| Percentage of GDP | | | |
| Current account surplus(+)/deficit (-) | 3.7% | 3.5% | 1.3% |
| Government budget surplus (+)/deficit (-) | -5.1% | -3.7% | -2.7% |
| Government debt | 78.0% | 75.0% | 73.0% |
| Annual Average | | | |
| Unemployment rate | 7.5% | 6.6% | 6.0% |
| Additional Data | | | |
| Consumer price index, year-end change | 3.9% | 2.7% | 2.9% |
| Shekel / US\$ average exchange rate | 3.93 | 3.73 | 3.52 |
| Bank of Israel average interest rate | 0.8% | 1.6% | 3.1% |

*Leumi forecast

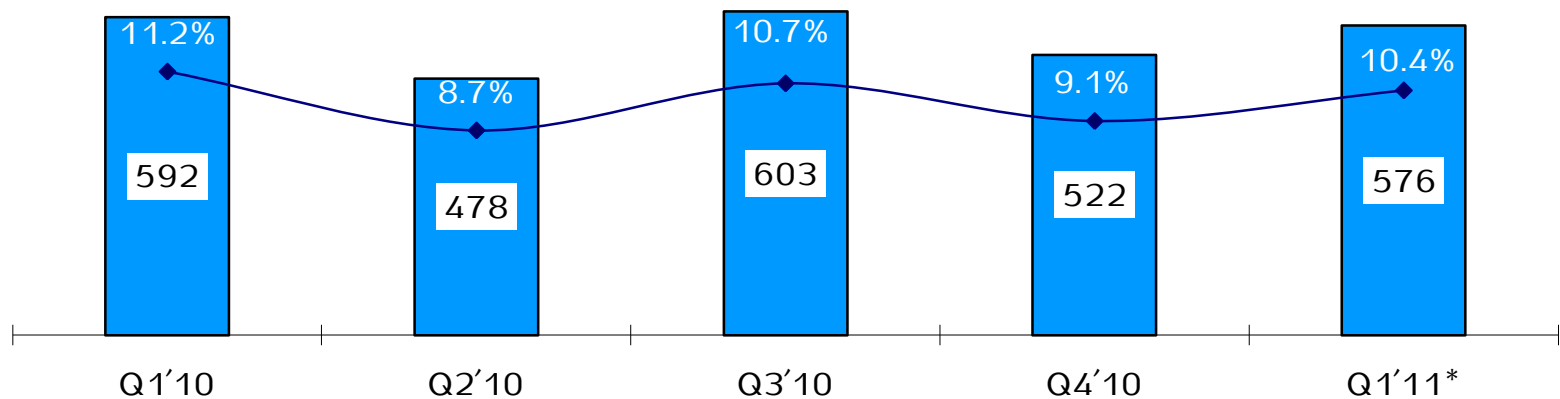
Sustainable growth while strengthening capital

NIS millions

Net Profit and ROE



Net Operating Profit and ROE



*Effective Jan. 1, 2011 net profit and net operating profit attributable to the shareholders of the banking corporation

Financial performance

NIS millions

P&L Highlights

| | Q1' 11 | Q1' 10 | Δ | Δ% |
|--|--------------|--------------|-------------|--------------|
| Net interest income before expenses for credit losses* | 1,939 | 1,807 | 132 | 7.3 |
| Operating and other income | 1,023 | 999 | 24 | 2.4 |
| Total Income | 2,962 | 2,806 | 156 | 5.6 |
| Expenses in respect of credit losses* | (102) | 130 | (232) | - |
| Operating and other expenses | 2,054 | 1,833 | 221 | 12.1 |
| Net operating profit without companies included on the equity basis | 618 | 507 | 111 | 21.9 |
| Companies included on the equity basis | (42) | 85 | (127) | - |
| Operating profit | 576 | 592 | (16) | (2.7) |
| Net profit | 577 | 596 | (19) | (3.2) |

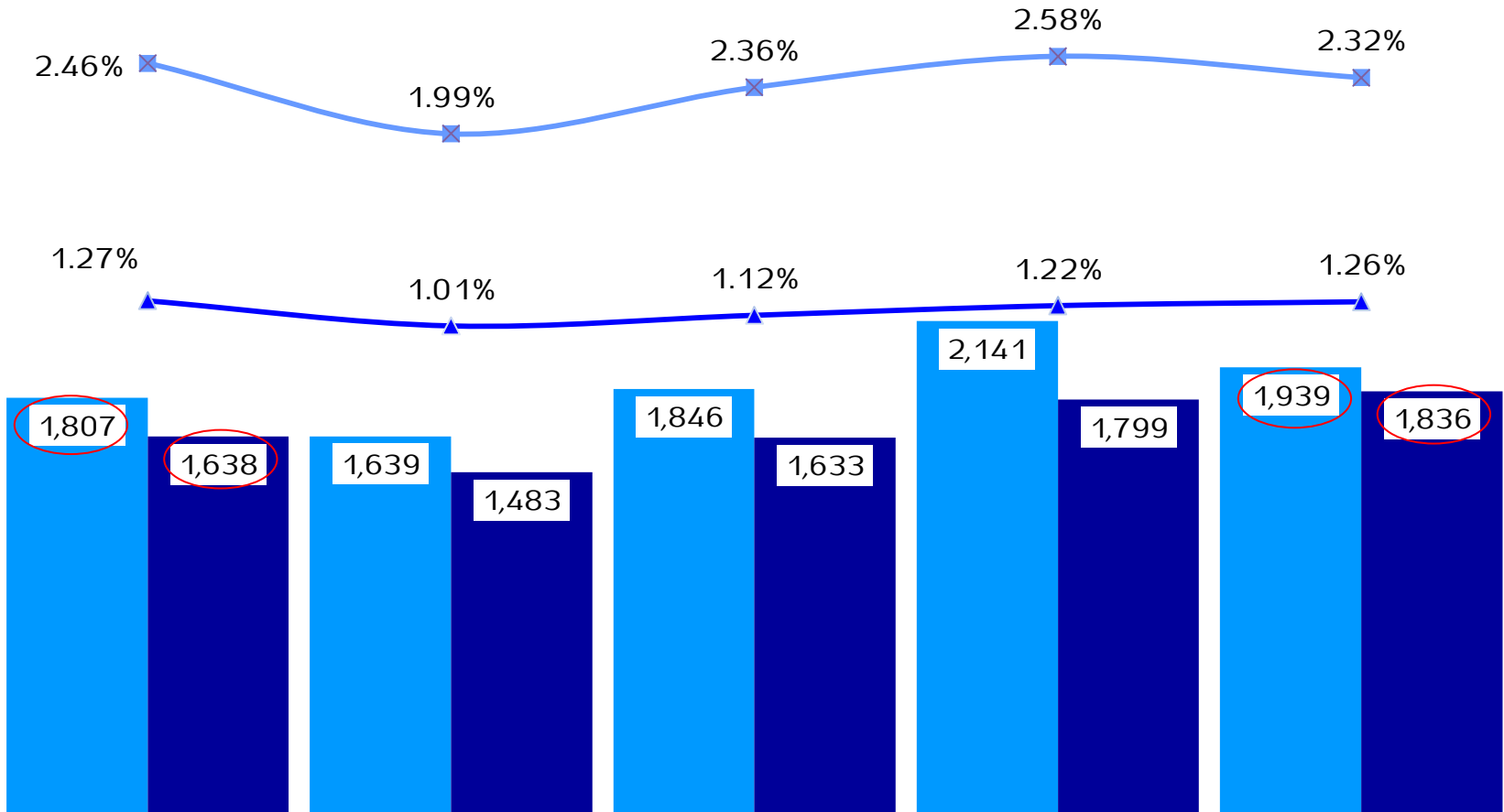
*As of Jan. 1, 2011 the terminology for provision for doubtful debts was amended to expenses in respect of credit losses resulting from the implementation of FAS 114

Net interest income remains impacted by low interest rate environment

NIS millions

Reported Average 1,874

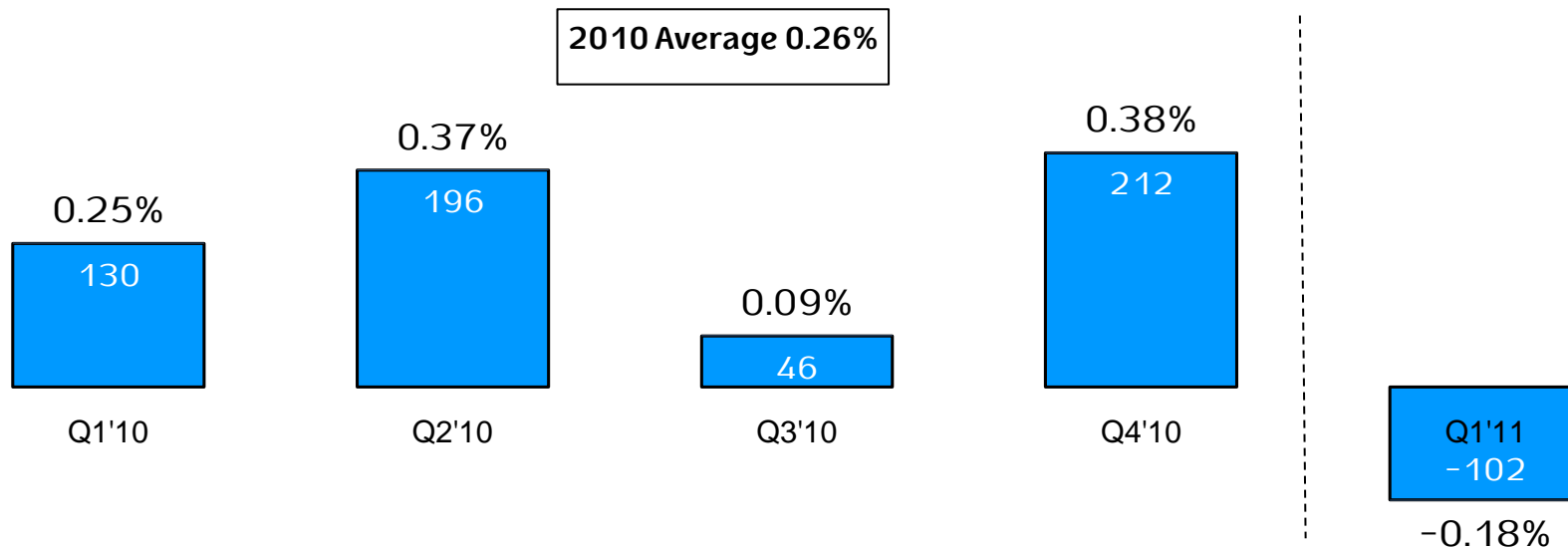
Corrected Average 1,678



■ Net Interest Income
 ■ Current Activities
▲ Interest Margin including the effect of derivatives
 ✕ Interest Margin excluding the effect of derivatives

Expenses for credit losses (Provision for doubtful debts)

NIS millions



| | Q1'10 | Q2'10 | Q3'10 | Q4'10 | Q1'11 |
|--|-------|-------|-------|-------|-------|
| Individual expenses | 159 | 244 | 63 | 248 | (61) |
| Group expenses (additional in 2010) | (29) | (48) | (17) | (36) | (41) |
| Total | 130 | 196 | 46 | 212 | (102) |

Problematic Debts

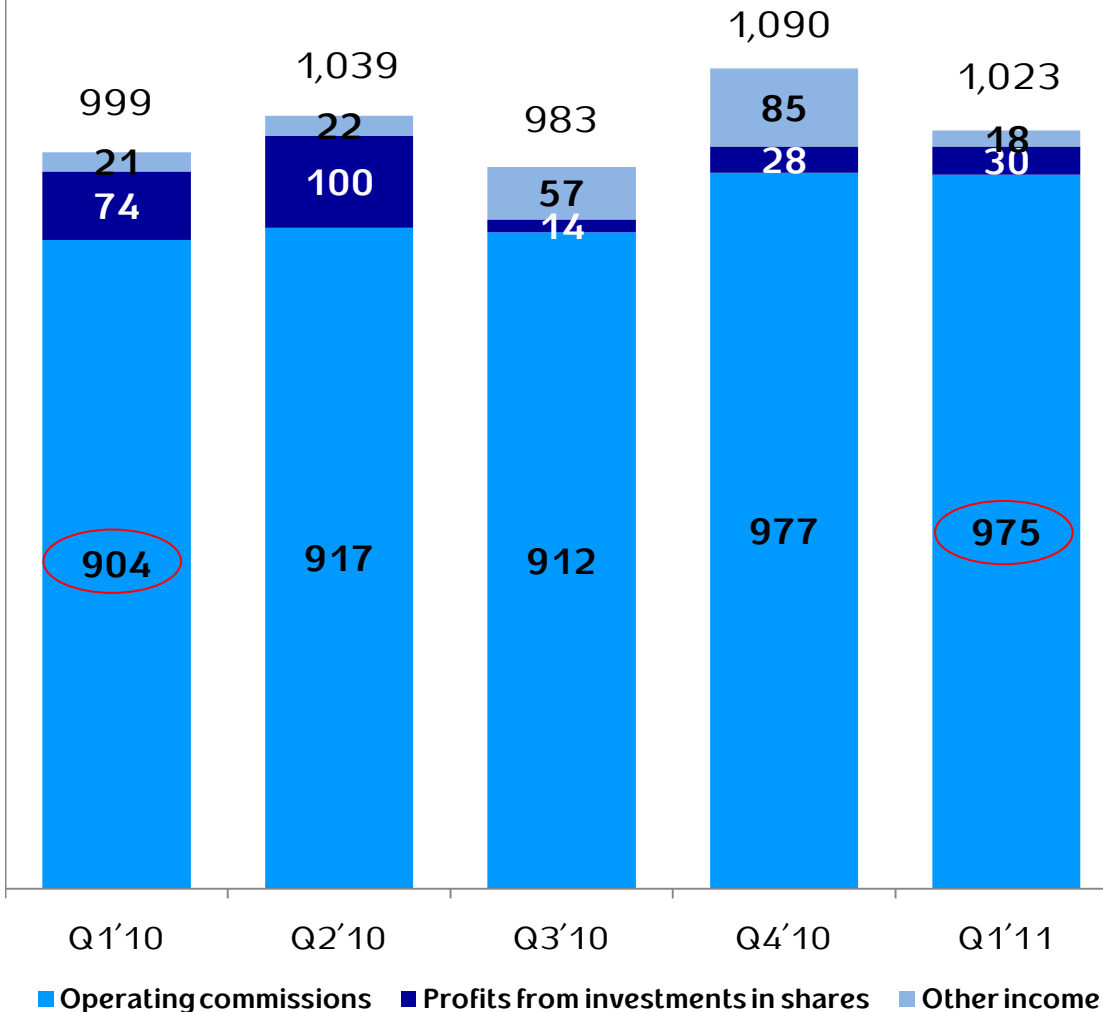
| | 31.03.11 | 31.12.10 |
|--|---------------|---------------|
| A. Problematic Debts | | |
| Impaired | 5,439 | 6,034 |
| Substandard | 784 | 869 |
| Special mention | 3,598 | 3,640 |
| Total balance sheet credit | 9,821 | 10,543 |
| Off-balance sheet credit risk | 1,056 | 1,610 |
| Bonds of problematic borrowers | 627 | 942 |
| Other assets in respect of derivative instruments of problematic borrowers | 11 | 13 |
| Total overall credit risk | 11,515 | 13,108 |
| B. Aggregate allowances for credit losses | | |
| Individual allowances | 2,980 | 3,379 |
| Group allowances | 2,335 | 2,396 |
| C. Non-performing (before allowances) | 8,055 | 8,982 |
| Interest bearing impaired debts | 464 | 461 |

Indices of credit risk according to the new directives

| In percentage | 31 March 2011 | 31 December 2010 |
|--|---------------|------------------|
| Balance of impaired credit to the public not accruing interest income as a percentage of the balance of credit to the public | 3.4 | 3.9 |
| Balance of credit to the public which is not impaired in arrears of 90 days or more as a percentage of the balance of the credit to the public | 0.2 | 0.1 |
| Balance of the allowance for credit losses in respect of credit to the public as a percentage of the balance of credit to the public | 2.2 | 2.5 |
| Balance of the allowance for credit losses in respect of credit to the public as a percentage of the balance of impaired credit to the public not accruing interest income | 62.4 | 63.8 |
| Problem commercial credit risk in respect of credit to the public as a percentage of total credit risk in respect of credit to the public | 4.8 | 4.5 |

Total operating and other income: YoY mainly impacted by capital market activities

NIS millions



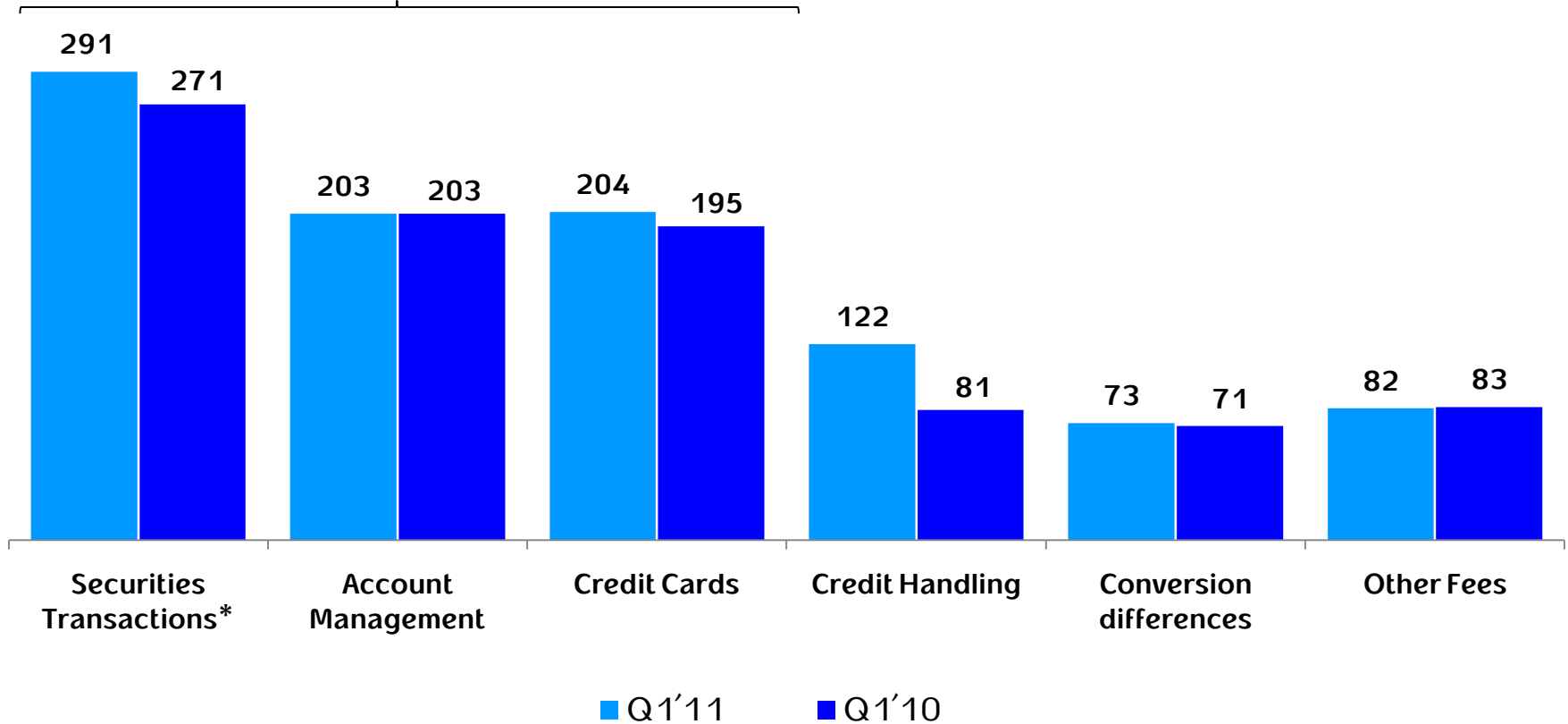
8% increase in income
from commissions

- Credit handling
- Securities transactions
- Credit Cards

Operating commissions constitute 95% of total operating income

NIS millions

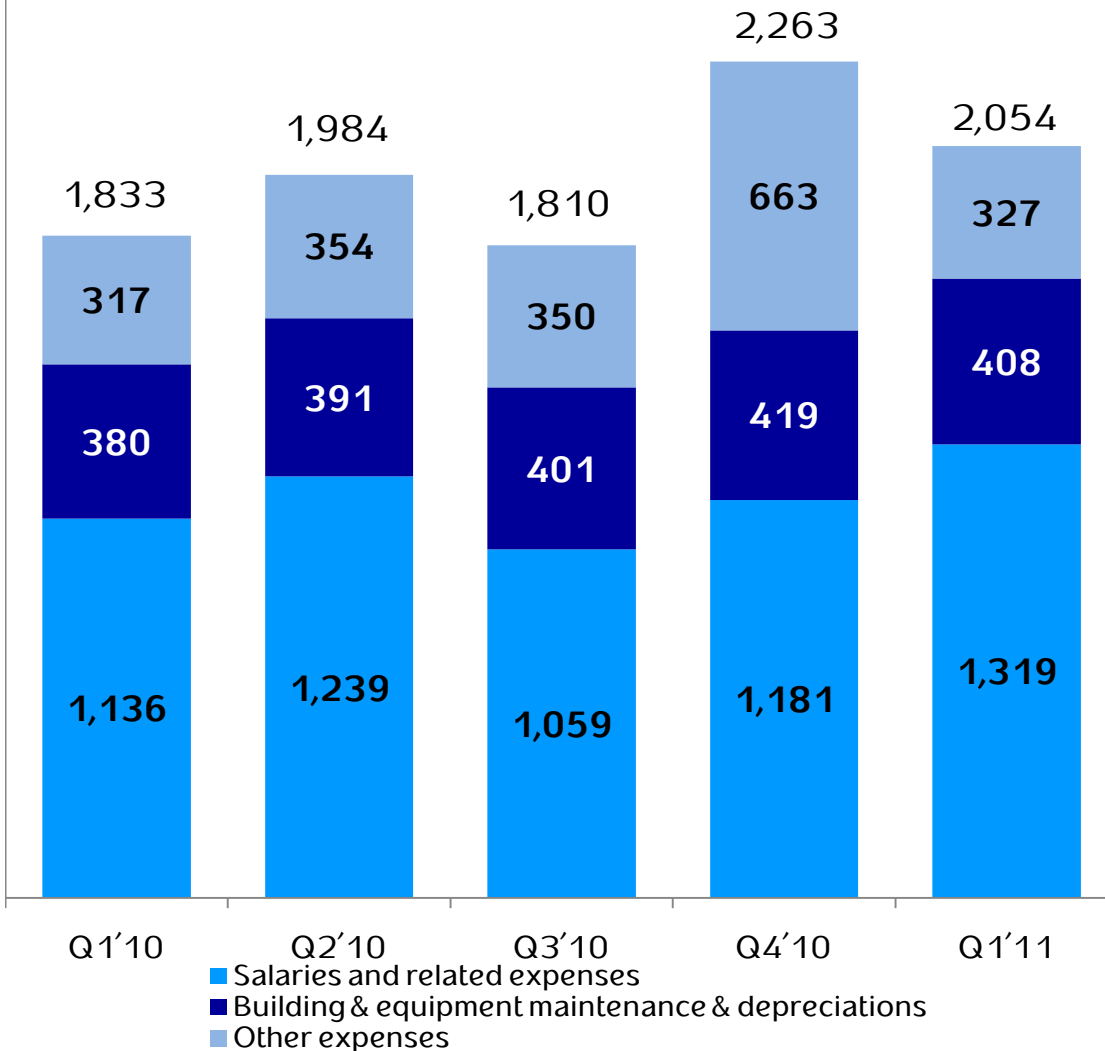
72%



*Includes financial product distribution commissions

3.9% YoY increase in total operating and other expenses (after neutralizing special salary expenses)

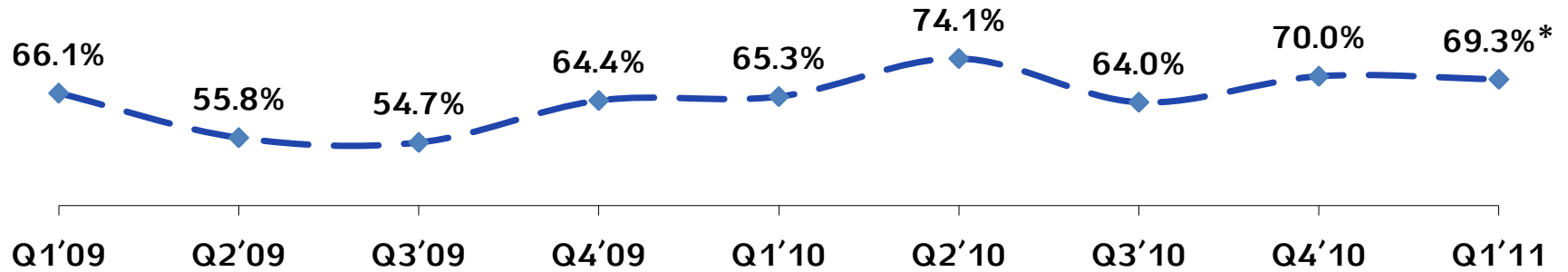
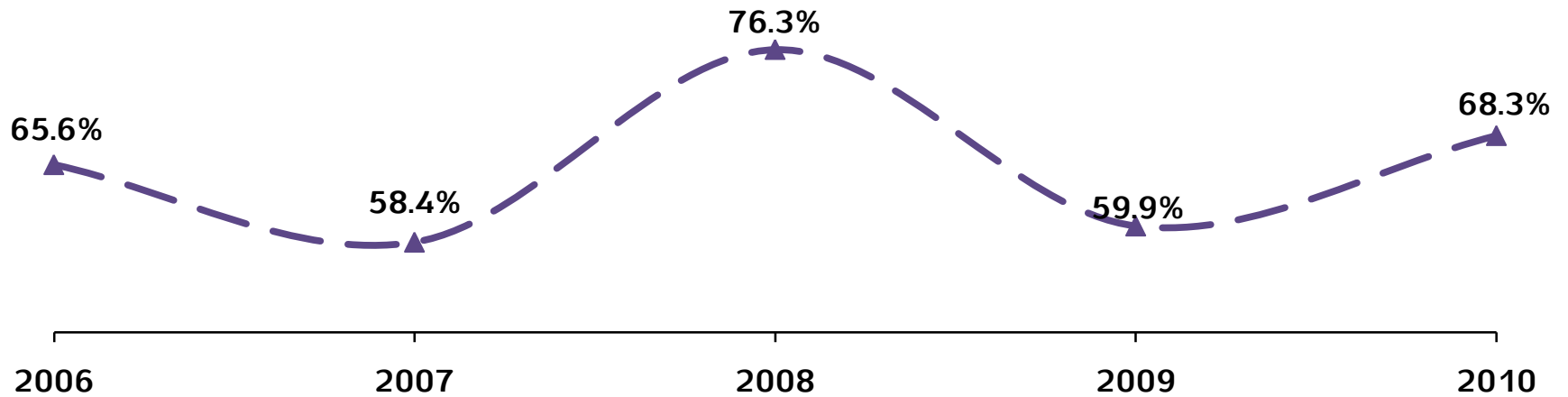
NIS millions



Salaries and related expenses constitute 64 percent of total expenses

16.1% increase in salary expenses is reduced to 3% after neutralizing the decrease in the returns in the severance pay fund and pension fund.

Cost/Income ratio



*63.2% after neutralizing special salary expenses

Building on diversification & core banking activities

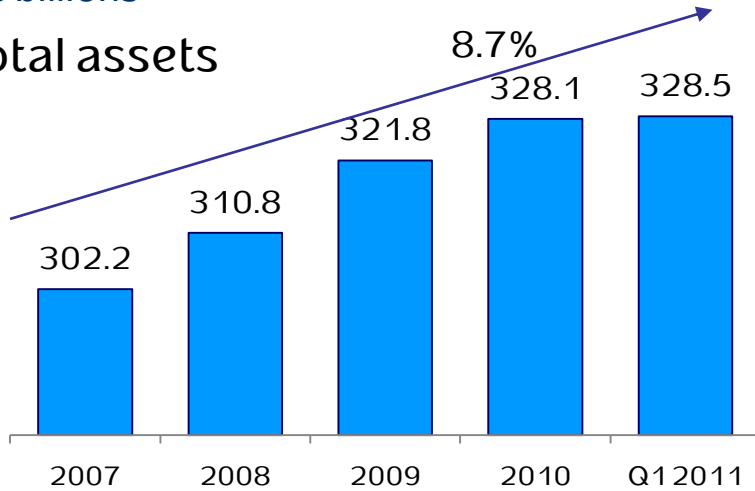
NIS millions

| Net operating profit | Q1 2011 | Q1 2010 | Δ% | Contribution to profit % |
|--|------------|------------|--------------|--------------------------|
| Households | 111 | 32 | + | 19.3 |
| Small businesses | 97 | 72 | 34.7 | 16.8 |
| Corporate banking | 339 | 230 | 47.4 | 58.9 |
| Commercial banking | 154 | 112 | 37.5 | 26.7 |
| Private banking | 50 | 30 | 66.7 | 8.7 |
| Financial management –capital markets and others | (175) | 116 | - | (30.4) |
| Total | 576 | 592 | (2.7) | 100 |

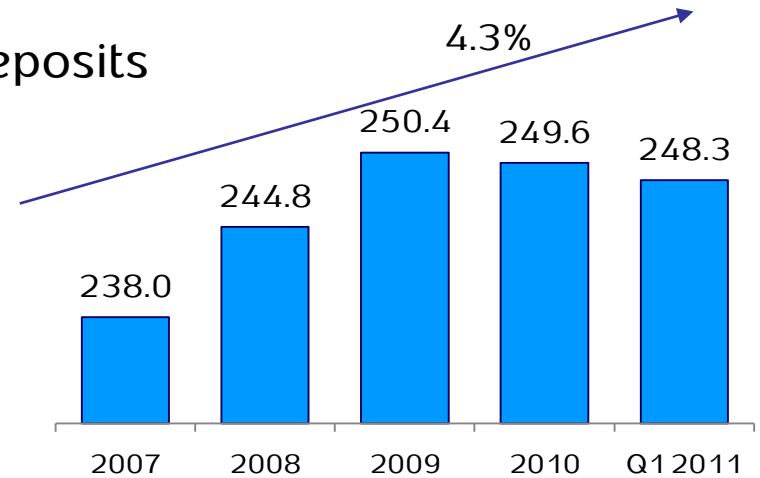
Sustained balance and off-balance sheet growth

NIS billions

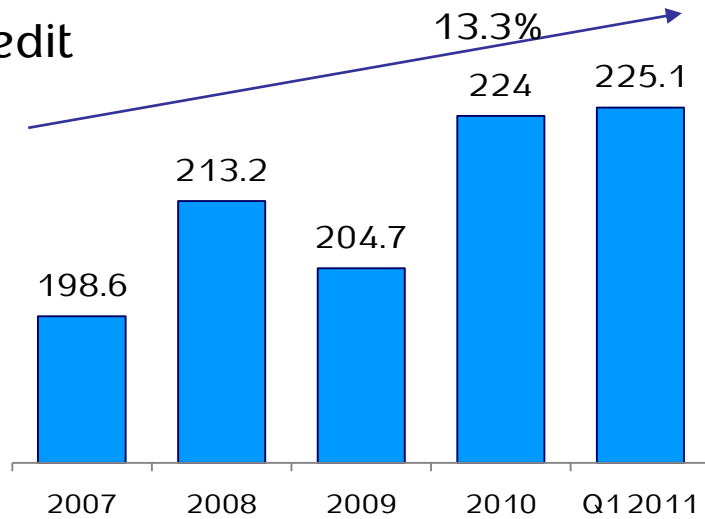
Total assets



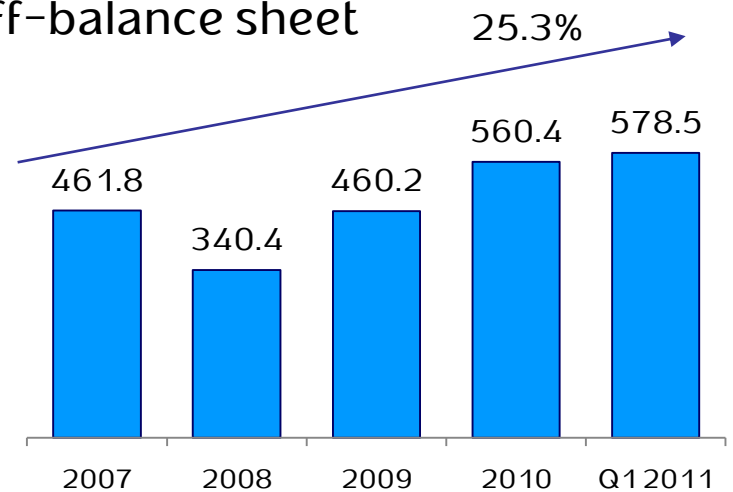
Deposits



Credit

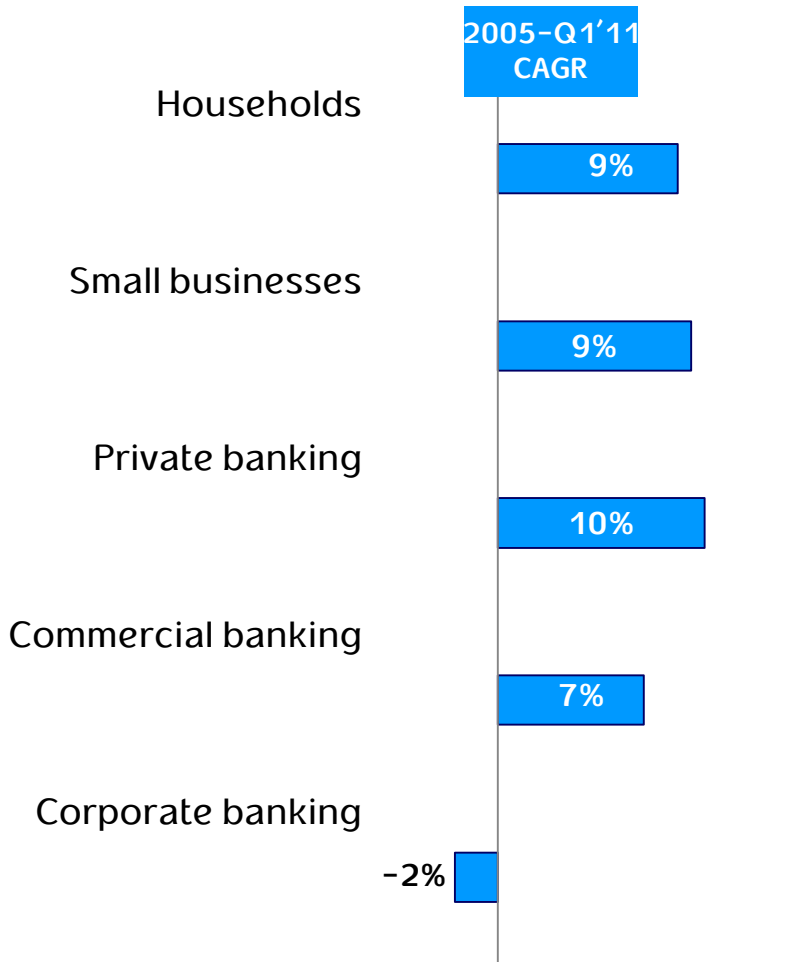


Off-balance sheet

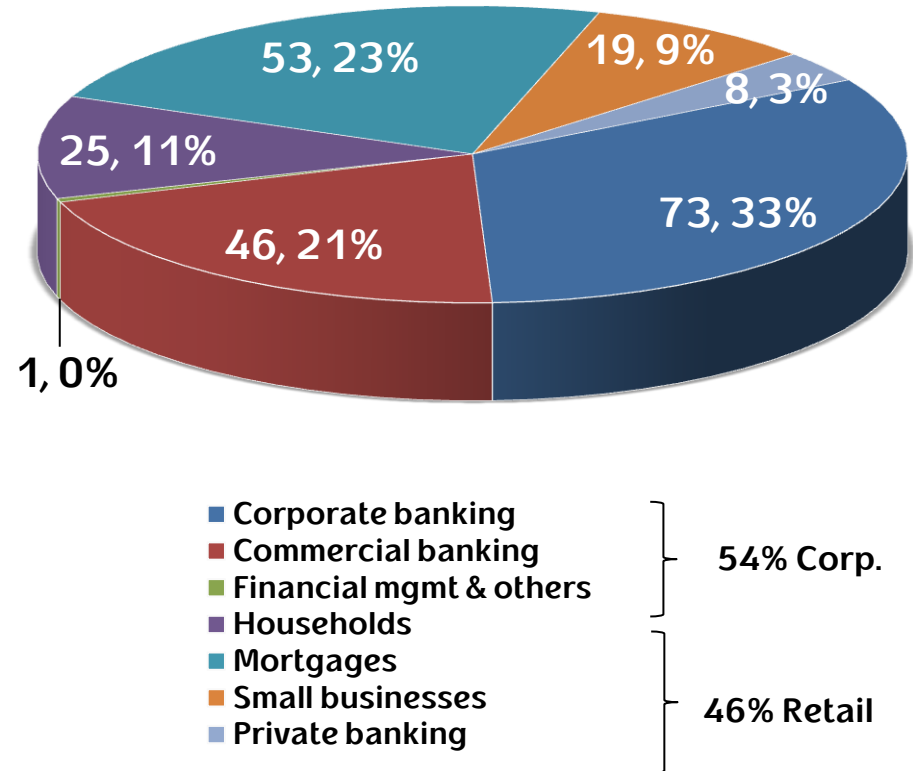


Diversified credit portfolio with focus on higher RoE segments

Growth of loan portfolio by segment

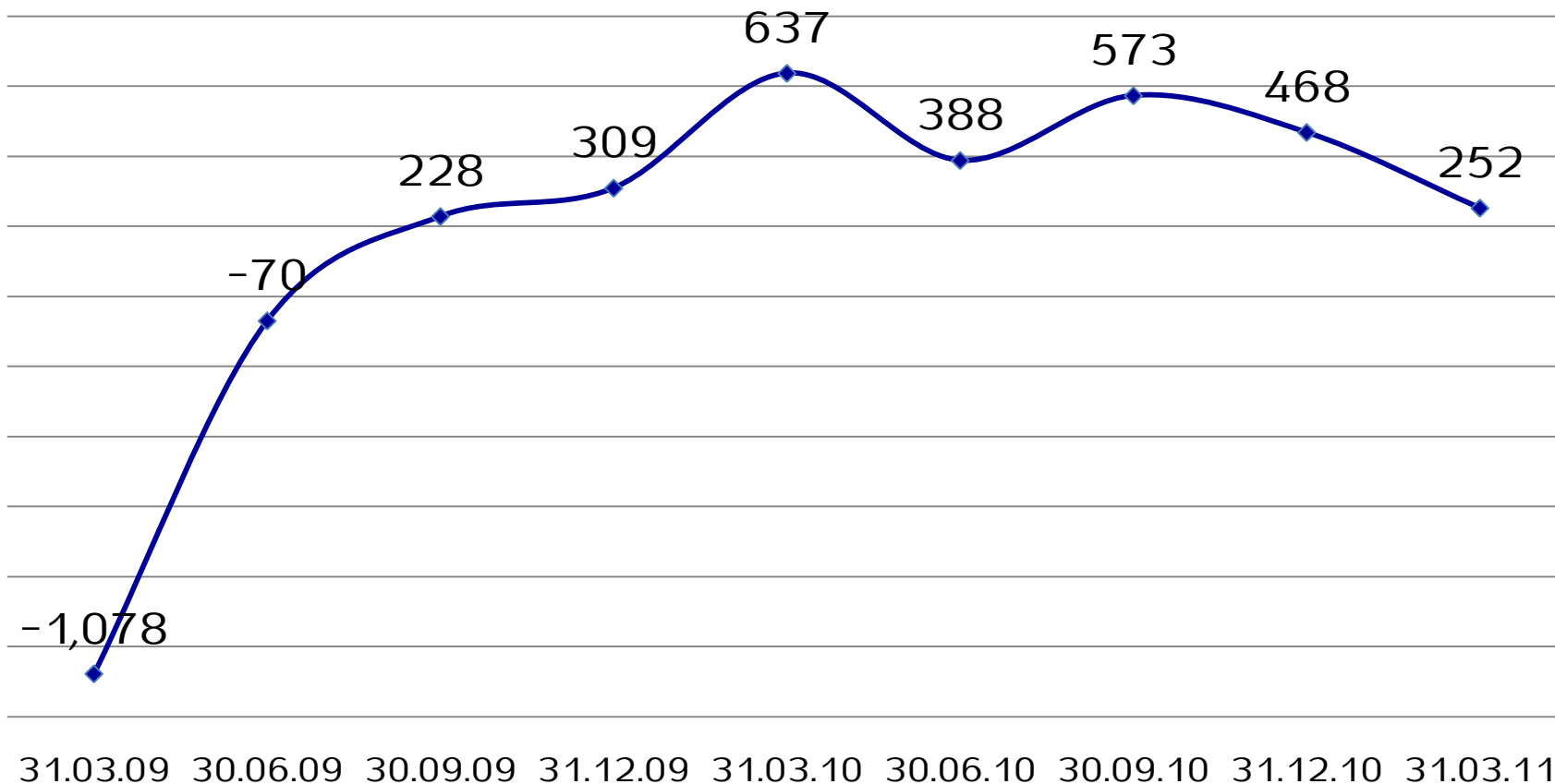


Composition of loan portfolio by segment
Q1'11, NIS billions, %



An increase in the value of bonds

Other Comprehensive Income*



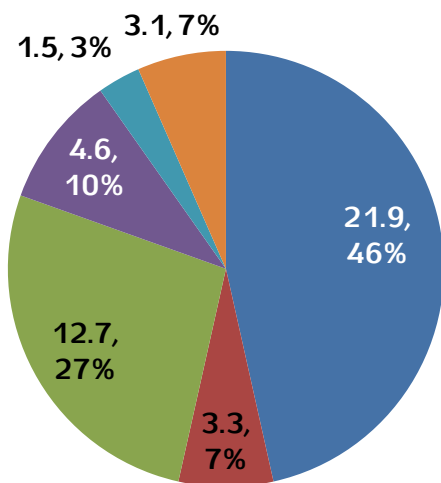
* Net balances in shareholders' equity (net adjustments in respect of available-for-sale securities)

Low risk: 60% of nostro investments are with governments and central banks

31 March 2011, NIS billions, %

NIS 47.1 billion securities portfolio by asset class

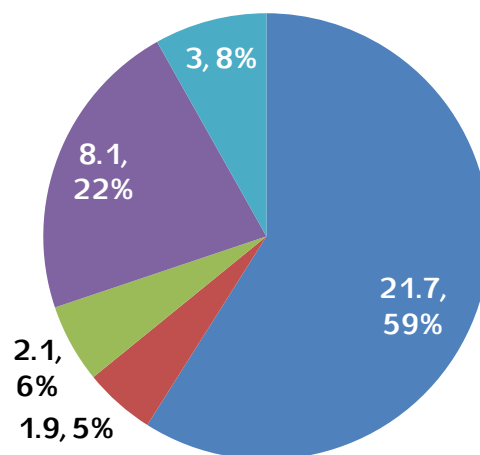
53% Governments



- Israeli Government Bonds
- Foreign Governments
- Bonds of Foreign Banks, FIs, Companies
- MBS/ABS
- Corporate Bonds in Israel
- Shares and Funds

NIS 36.8 billion deposits with banks

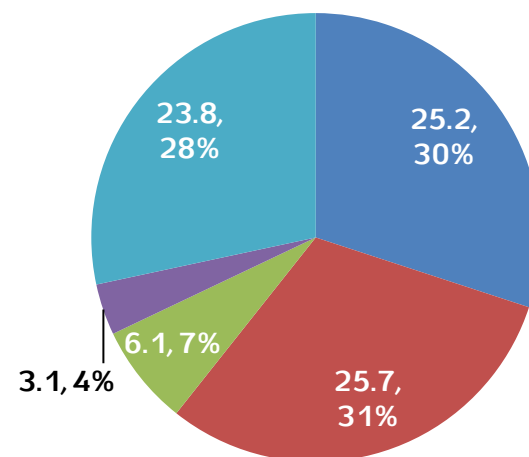
70% Central Banks & Cash



- Bank of Israel
- Central Banks
- Cash
- Banks and FIs
- Banks in Israel

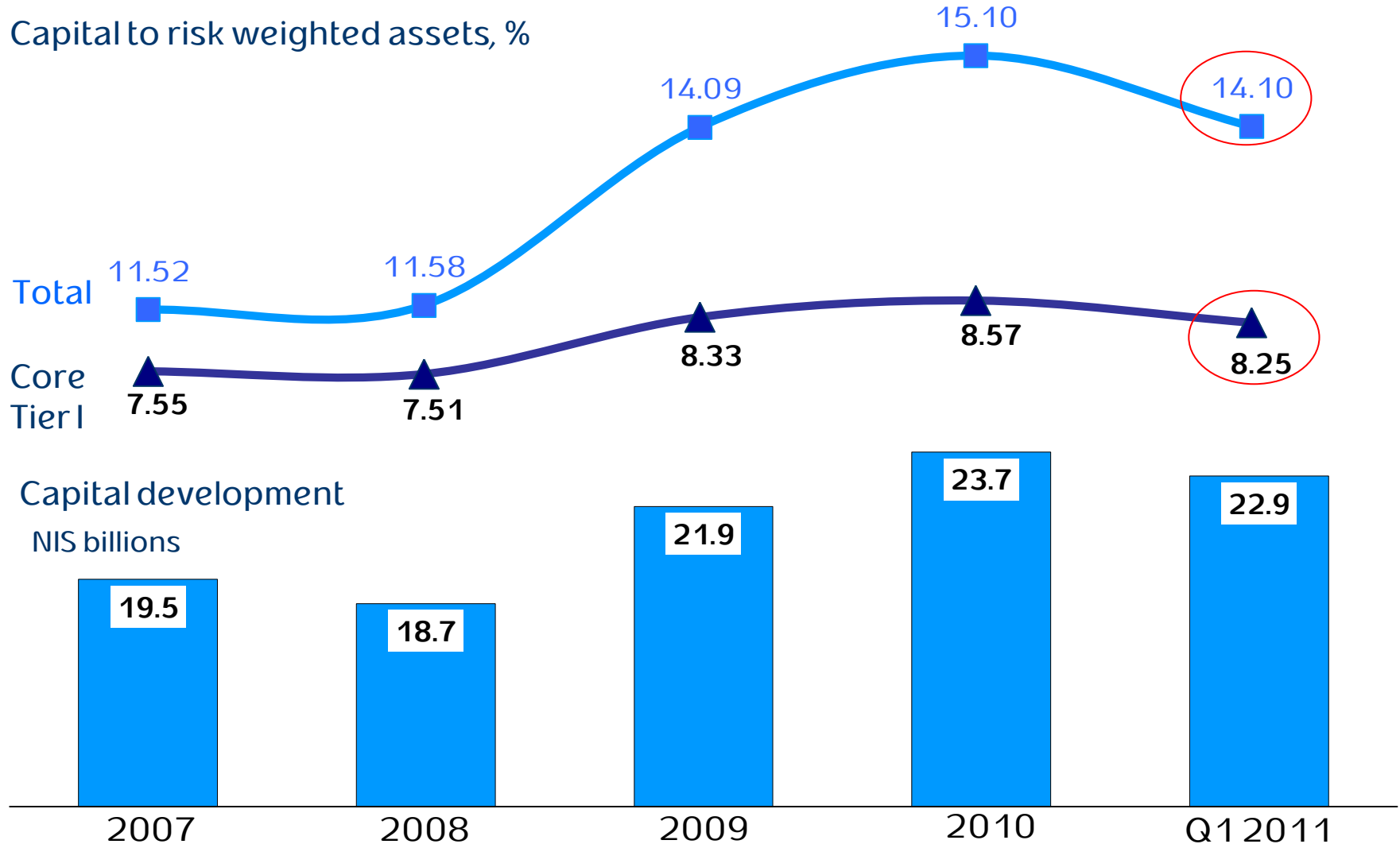
NIS 83.9 billion nostro portfolio by counterparty

60% Govt's & Central Banks



- Governments
- Central Banks & Cash
- MBS/ABS and Other Bonds
- Shares and Funds
- Comm'l Banks and FIs

Sound capital structure: Well-positioned for growth and evolving regulatory environment



From 2009 as per Basel II

High quality balance sheet

Strong financial ratios

- Credit / Deposits : 91%
- Credit / Total Assets: 69%
- Deposits / Total Assets: 76%

High credit quality

- Impaired credit not accruing income / Total credit: 3.4%
- Balance of the allowance for credit losses / Balance of credit not accruing income: 62.4%

Solid capital structure

- CAR: 14.10 %; CoreTier1: 8.25 %
- Capital / Total Assets: 7.0%

Dividend

- NIS 1.4 billion for 2010

Thank You

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