


Leumi Group

Second Quarter 2007 Earnings Review



August 29, 2007



This document has been prepared by Bank Leumi le-Israel B.M. (the “Bank”) for use at the Bank's presentation of its Second Quarter 2007 Earnings Review and is provided to you solely for your information and is not to be copied or distributed to any other person. This document does not purport to be all-inclusive or to contain all the information that may be relevant in making any decision concerning an investment in the securities of the Bank.

No representation or warranty, expressed or implied, is made by any person as to the accuracy or completeness of any of the information or opinions contained herein. In particular, no representation or warranty is given as to any forward looking statements, which are based on the Bank’s current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in this presentation due to a variety of factors. More information about these factors is detailed in the Bank’s filings with the securities authorities.

This document does not constitute an offer or invitation to purchase or subscribe for any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

Main macroeconomic variables

		<i>2005</i>	<i>2006</i>	<i>Leumi Forecast 2007</i>	<i>Leumi Forecast 2008</i>
<i>Annual rates of change in real terms</i>	GDP	5.2%	5.1%	5.5%	4.3%
	Gross product of the business sector	6.7%	6.4%	6.7%	5.4%
	Private consumption	3.4%	4.8%	5.5%	4.9%
	Public consumption	2.7%	3.3%	3.0%	1.4%
	Investment in fixed assets	2.9%	6.4%	7.6%	6.0%
	Export of goods and services	5.1%	4.9%	7.6%	6.7%
	Import of goods and services	3.4%	3.1%	7.8%	4.2%
<i>Percentage of GDP</i>	Current account surplus(+)/deficit(-)	3.4%	5.7%	4.6%	4.4%
	Government budget surplus(+)/deficit(-)	-2.0%	-0.9%	-1.0%	-1.6%
	Government debt	95%	86%	81%	78%
<i>Annual average</i>	Unemployment rate	9.0%	8.4%	7.5%	7.4%

Main financial parameters

	<i>2005</i>	<i>2006</i>	<i>2007 forecast</i>	<i>2008 forecast</i>
Consumer price index	2.4%	-0.1%	2.5-3.5%	1.9-2.9%
ILS/USD exchange rate – annual average	4.49	4.46	4.15-4.25	4.25-4.35
Bank of Israel interest rate – annual average	3.7%	5.1%	3.8-4.3%	4.5-5%

The Leumi Group

<i>in NIS millions</i>	<i>Q2 2007</i>	<i>Q2 2006</i>	<i>1H 2007</i>	<i>1H 2006</i>	<i>1H % change</i>	<i>1H ROE*</i>
Net profit	913	378	1,830	1,490	22.8%	21.0%
Net profit adjusted**	936	616	1,891	1,873	1.0%	21.7%
Net operating profit	913	367	1,571	767	104.8%	17.9%
Net operating profit adjusted**	936	605	1,632	1,150	41.9%	18.6%

*Based on average capital

**Adjusted for special salary expenses

Impact of special salary expenses

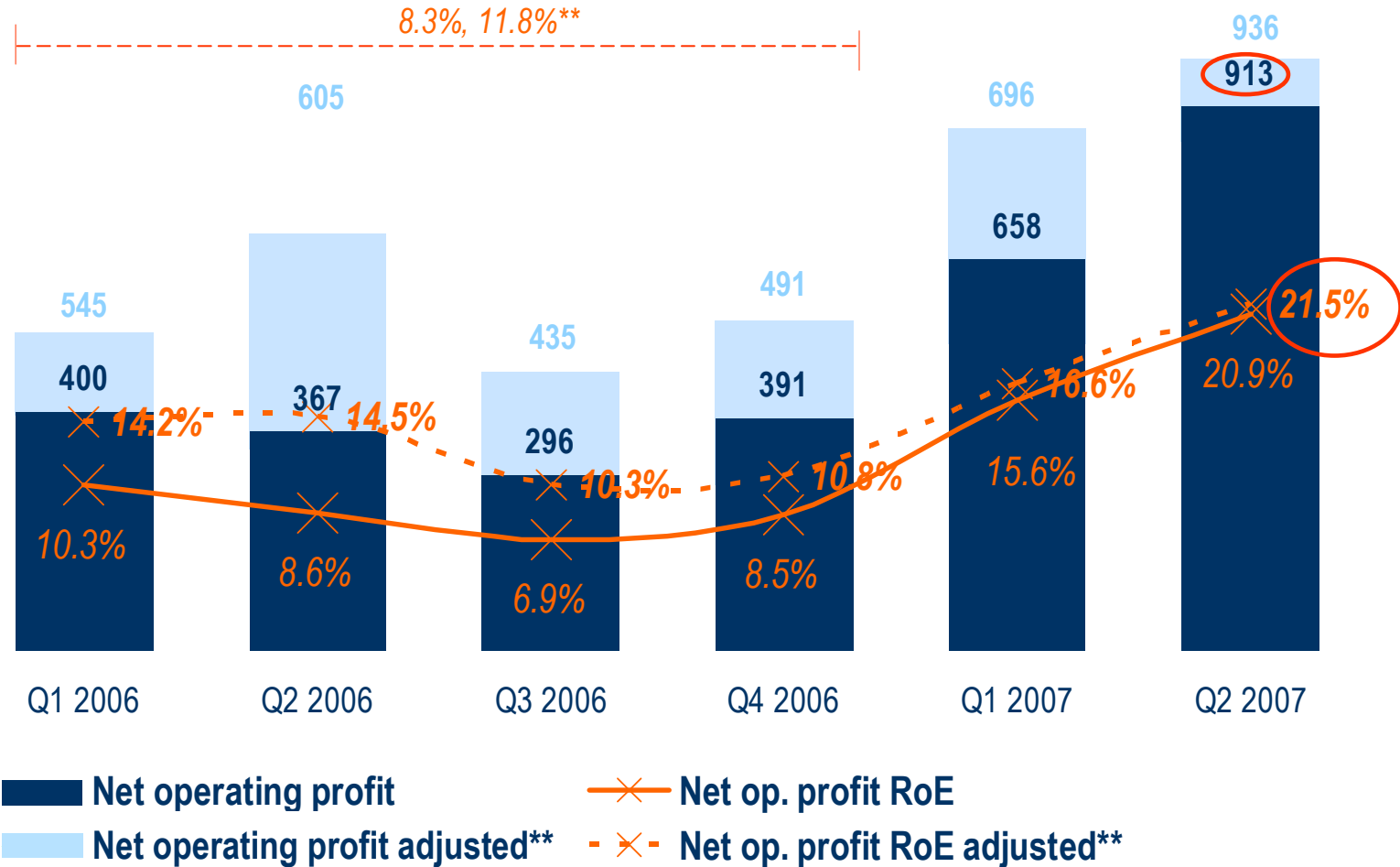
<i>NIS millions</i>	<i>1H 2007</i>	<i>1H 2006</i>	<i>YE 2006</i>
Net operating profit	1,571	767	1,454
Special Salary Expenses:			
Gov't sale of shares to employees	(6)	191	217
Options to employees	130	88	235
Mortality tables	-	136	237
Voluntary early retirement	-	5	175
Alumni holiday gifts	-	89	91
Provision for severance payments	-	58	0
Reduction of VAT	-	(38)	(38)
Total before taxes	124	529	917
Total after taxes	61	383	622
Net operating profit after adjustments	1,632	1,150	2,076
Return on net operating profit after adjustments	18.6%	14.1%	11.8%
Return on net profit after adjustments	21.7%	23.5%	23.7%

Main financial data

<i>NIS millions</i>	<i>6 months ended 6/2007</i>	<i>6 months ended 6/2006</i>	<i>% change</i>	<i>Q2oQ2 % change</i>
Net interest income before provision	3,602	3,441	4.7%	0.7%
Provision for doubtful debts	49	386	(87.3%)	(79.5%)
Total operating and other income	2,121	1,960	8.2%	11.2%
Total operating and other expenses	3,288	3,706	(11.3%)	(12.0%)
- <i>after adjustments</i>	3,164	3,177	(0.4%)	(0.9%)
Companies included on the equity basis	84	98	(14.3%)	125.0%
Net operating profit for the period	1,571	767	104.8%	148.8%
<i>Net operating profit after adjustments</i>	1,632	1,150	41.9%	54.8%

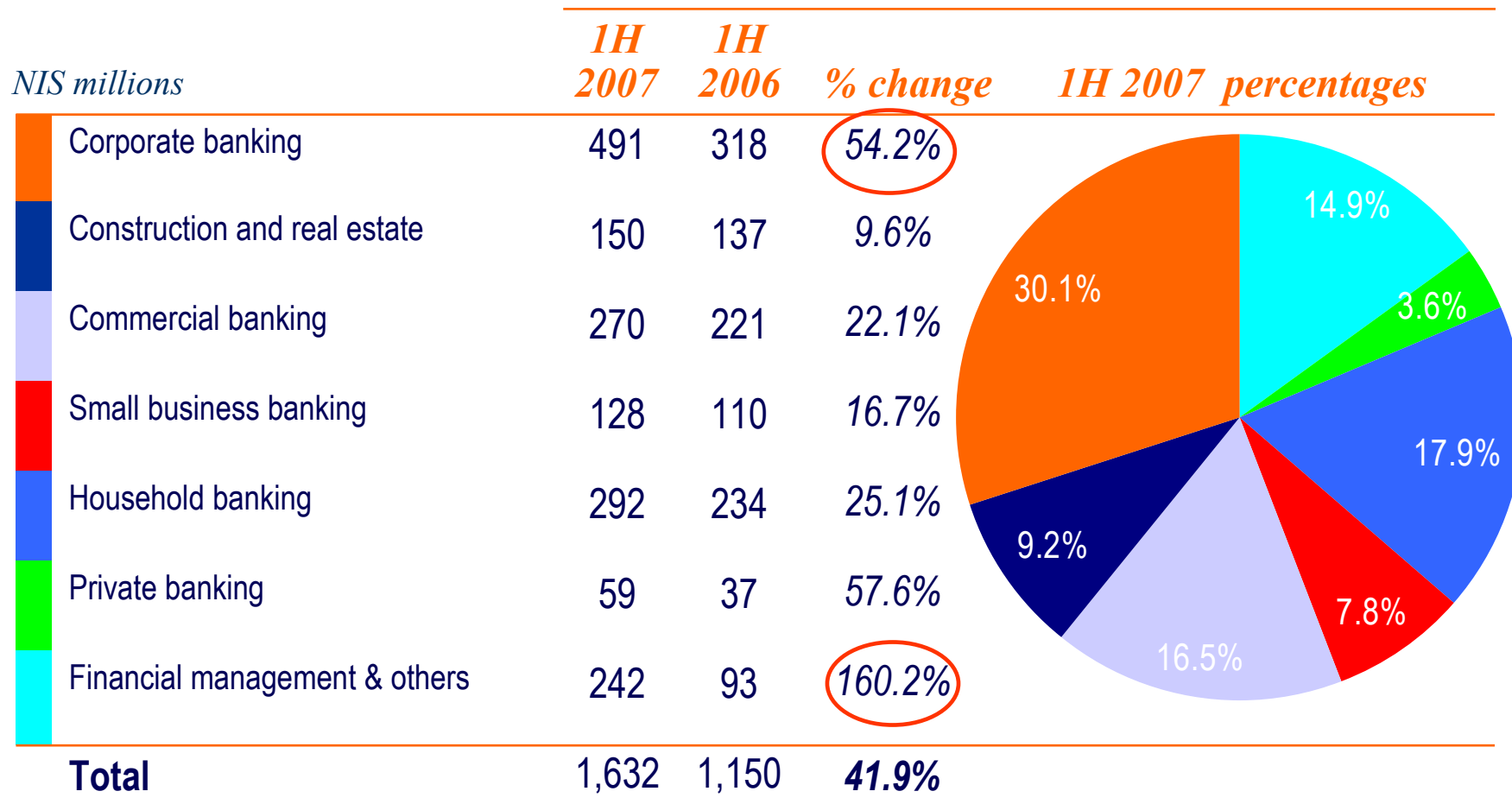
Net operating profit and RoE* (in annual terms)

NIS millions



* Restated to reflect average capital ** for special salary expenses

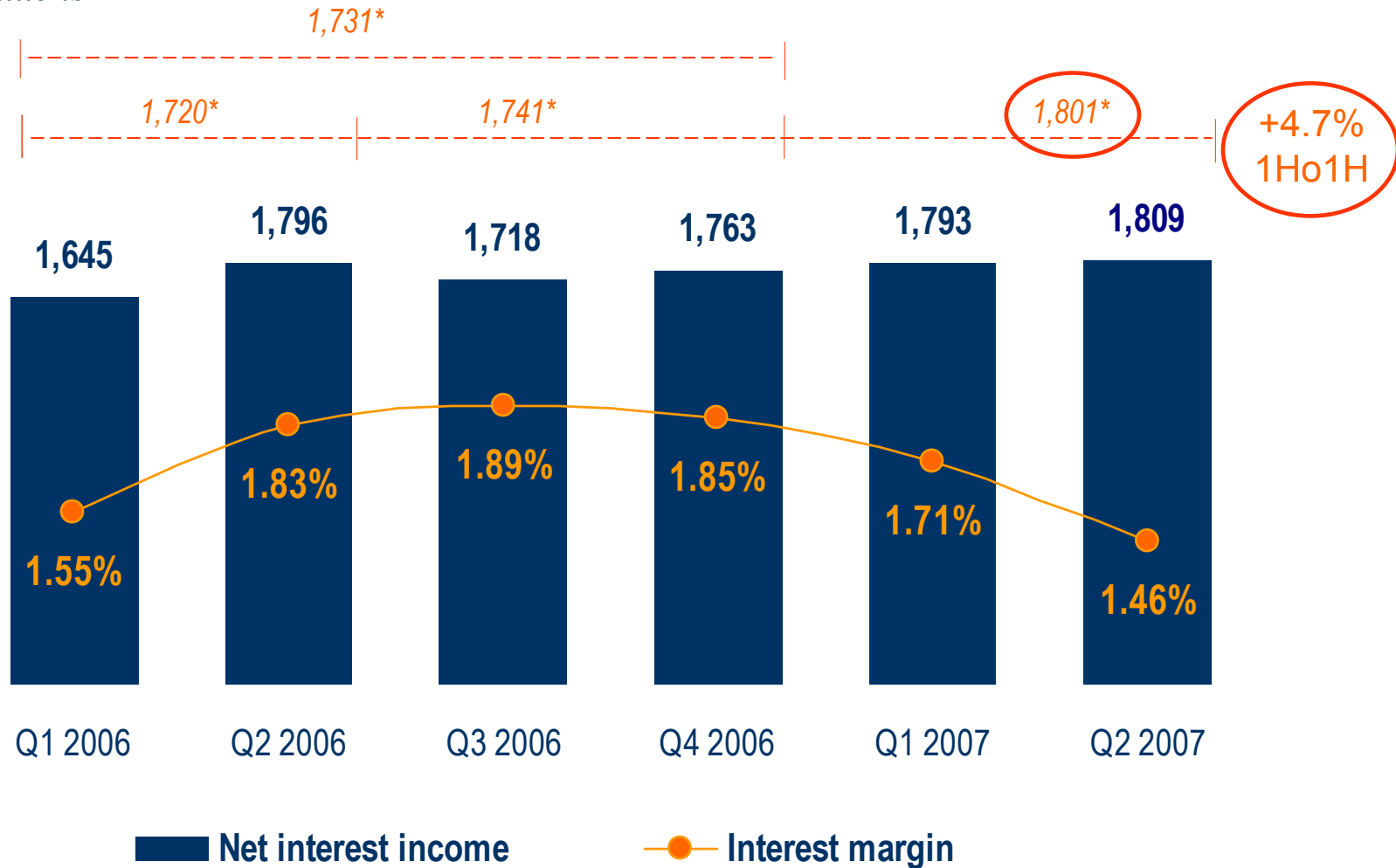
Net operating profit by operational segments*



* after neutralizing special salary expenses

Net interest income & interest margin accumulated for the period ending:

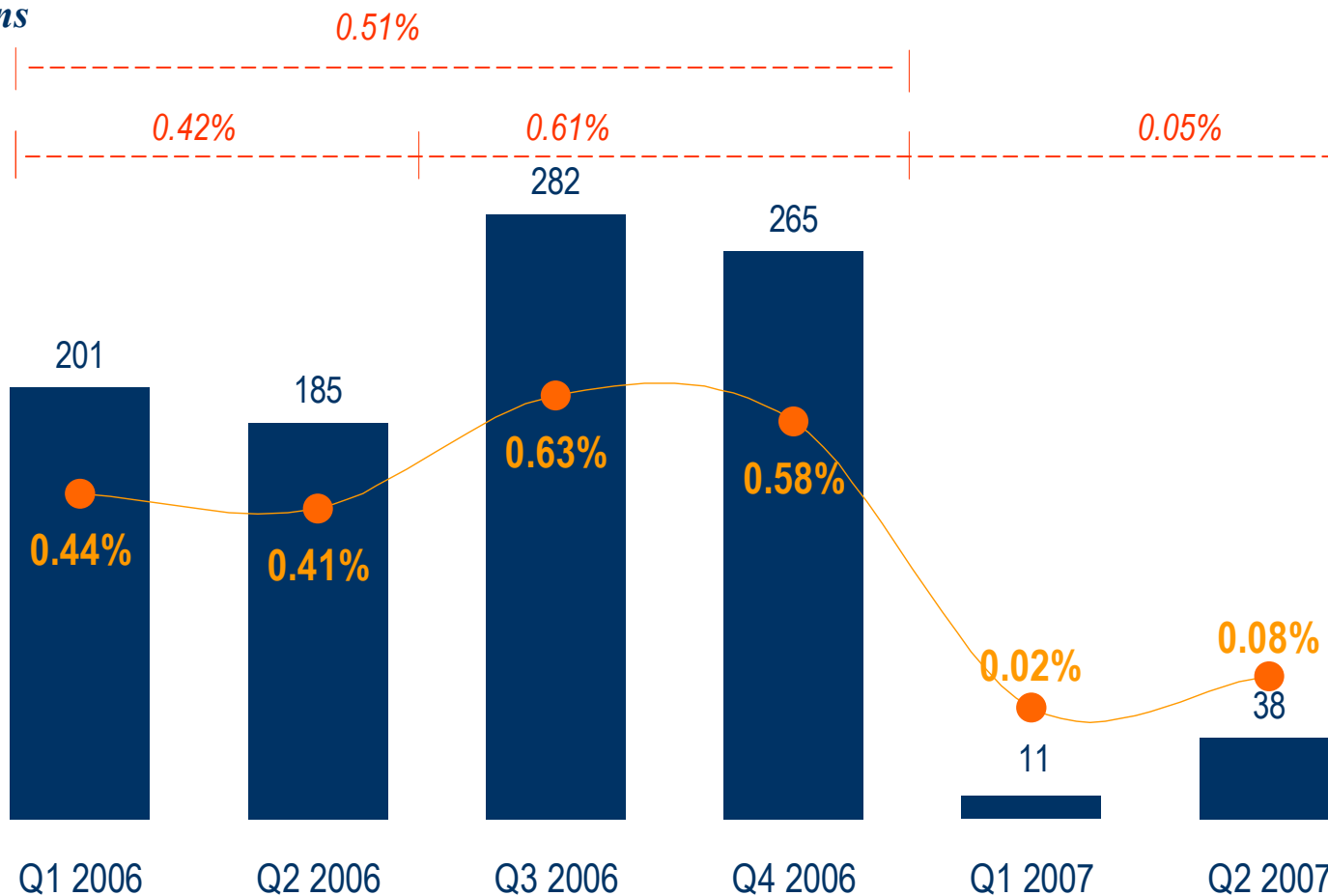
NIS millions



* average

Provision for doubtful debts

NIS millions



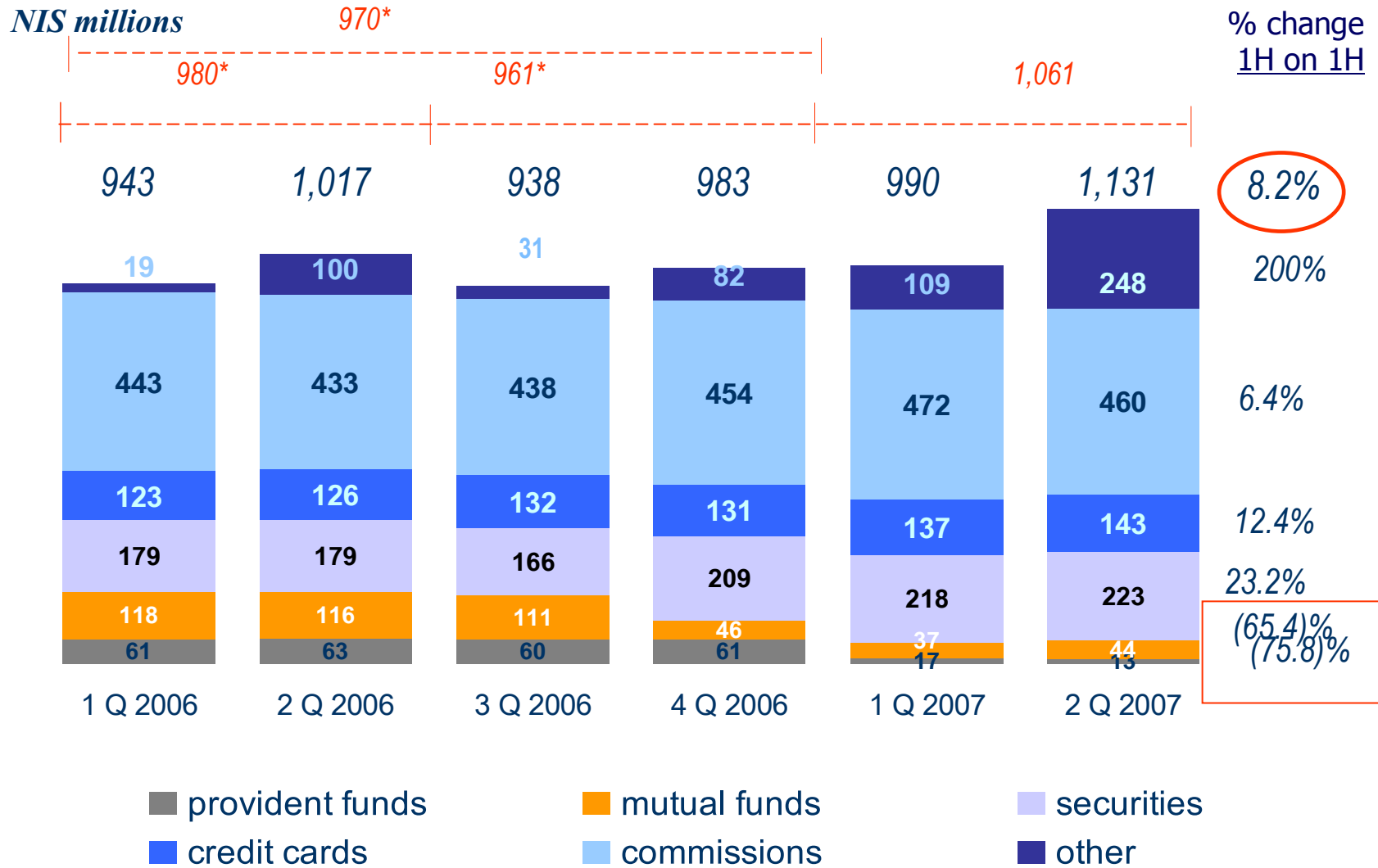
- Provision for doubtful debts
- Rate of provision of all credit to the public in annual terms

Problem Loans

<i>NIS millions</i>	<i>30.06.07</i>	<i>31.12.06</i>	<i>% Change</i>
Non-accrual	2,306	2,519	(8.5%)
Restructured or to be restructured	1,219	1,313	(7.2%)
In temporary arrears	591	658	(10.2%)
Under special supervision*	12,469	13,548	(8.0%)
Total balance sheet credit risk	16,585	18,038	(8.1%)
Off balance sheet credit risk	2,628	2,425	8.4%
Other assets in respect of derivatives of problem borrowers	72	23	+
Total overall credit	19,285	20,486	(5.9%)

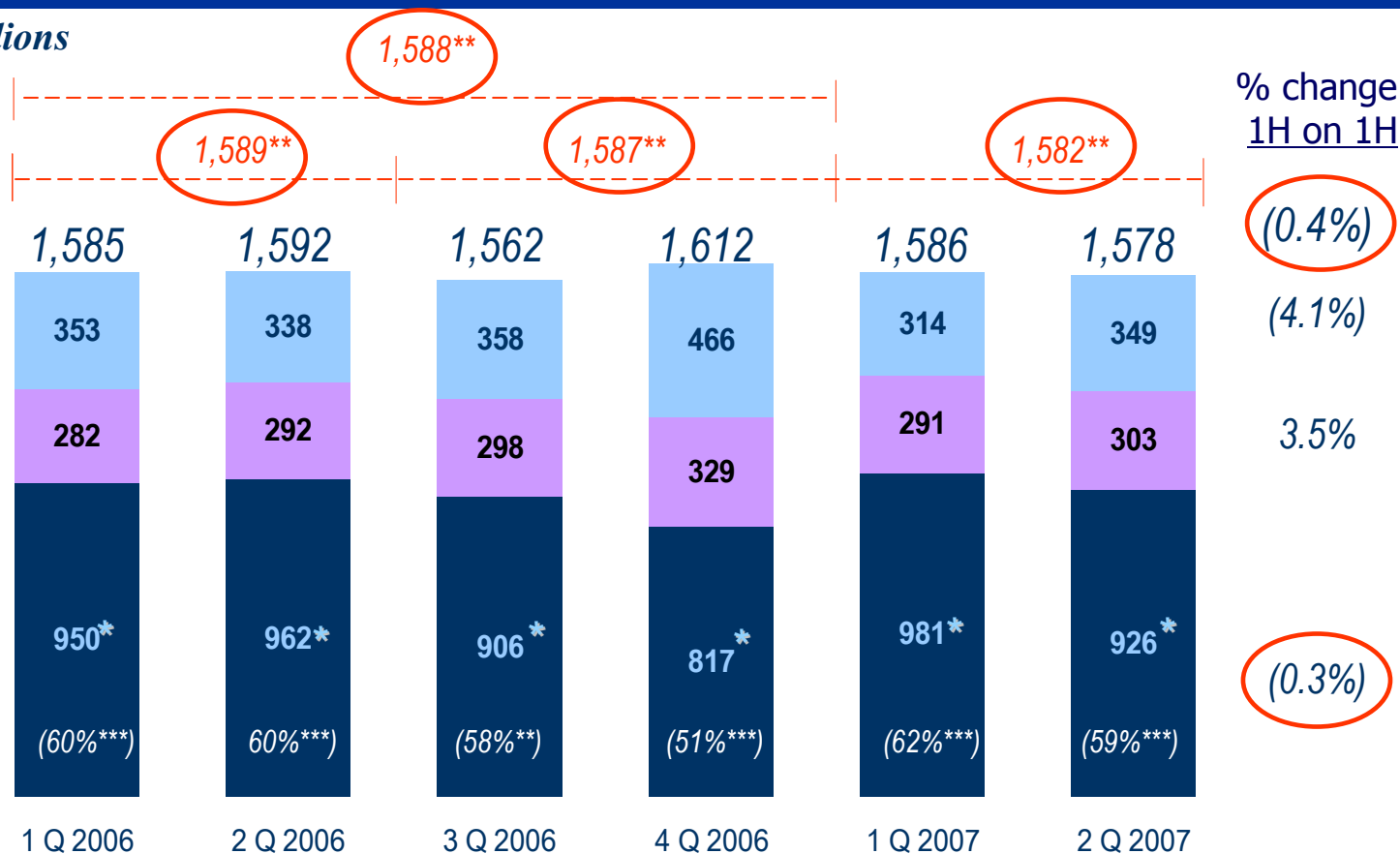
* Including classified debts according to Directive 325 in the amount of NIS 3,118 million (NIS 3,460 million in 2006)

Operating income



Operating expenses*

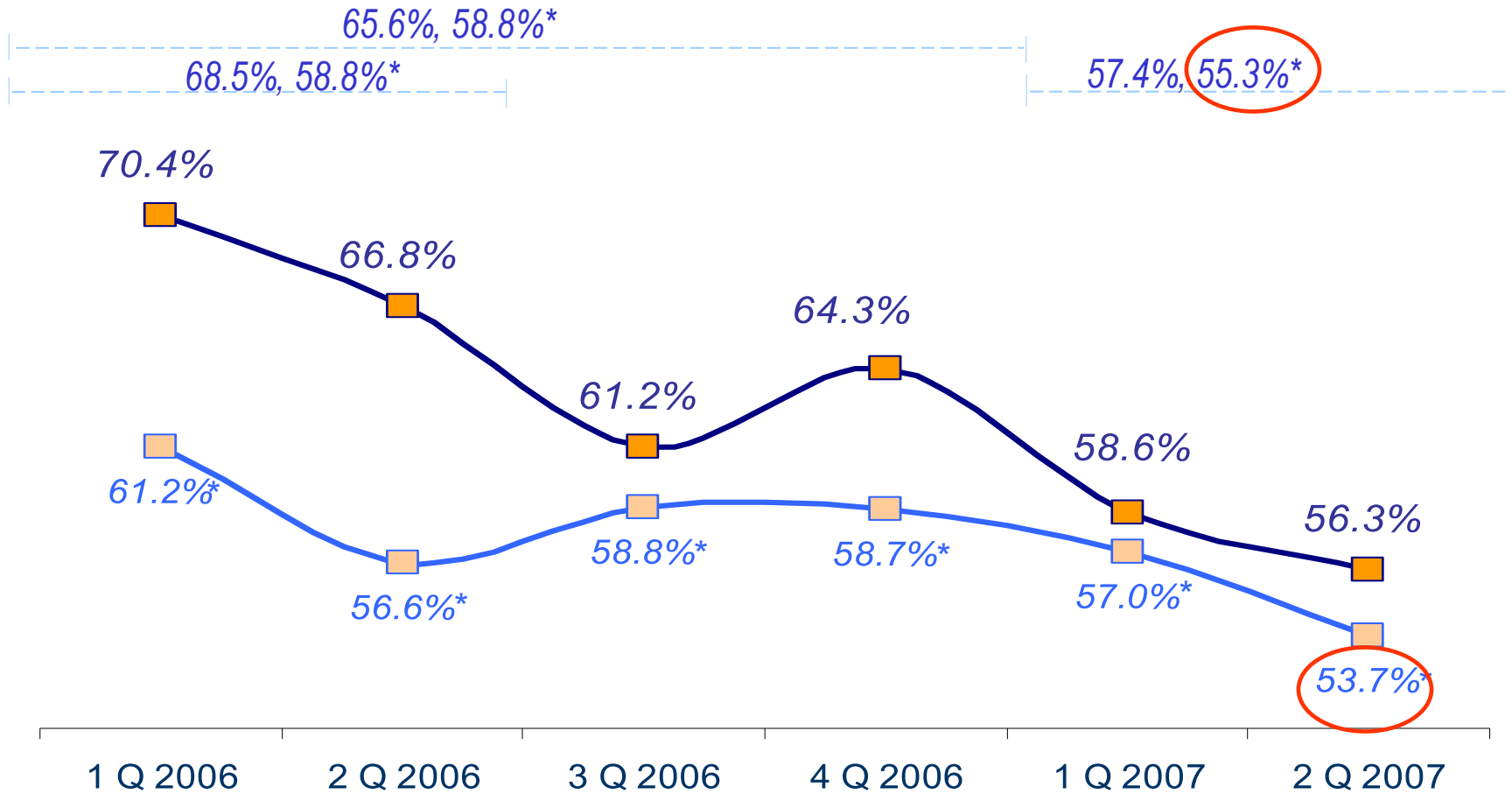
NIS millions



- Other expenses
- Building & equipment maintenance & depreciation
- Salaries and related expenses

* adjusted for special salary expenses **average ***percentage of total operating expenses

Efficiency Ratio

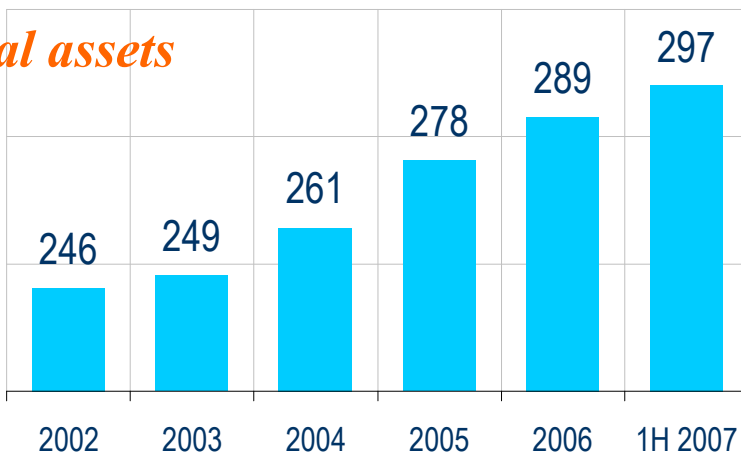


**After neutralizing special salary expenses*

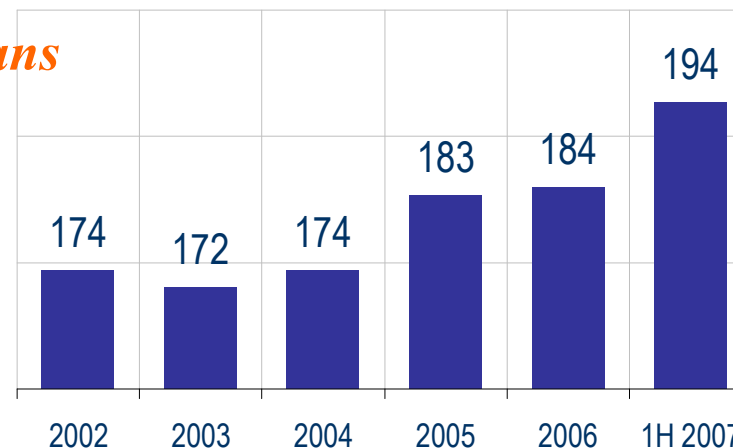
Balance and off-balance sheet assets

in NIS billions

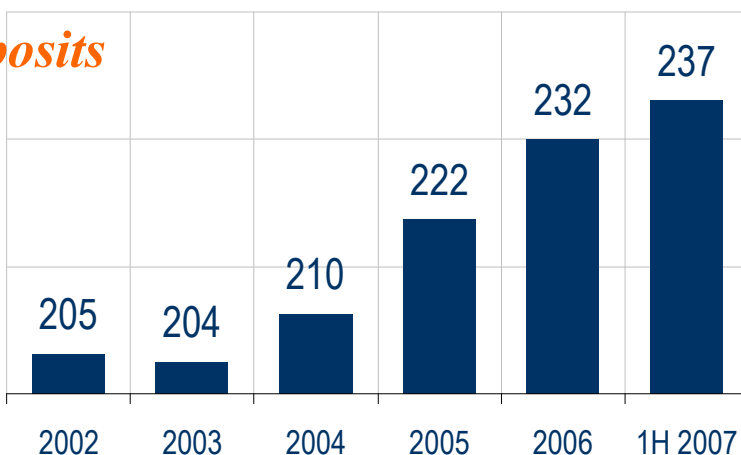
Total assets



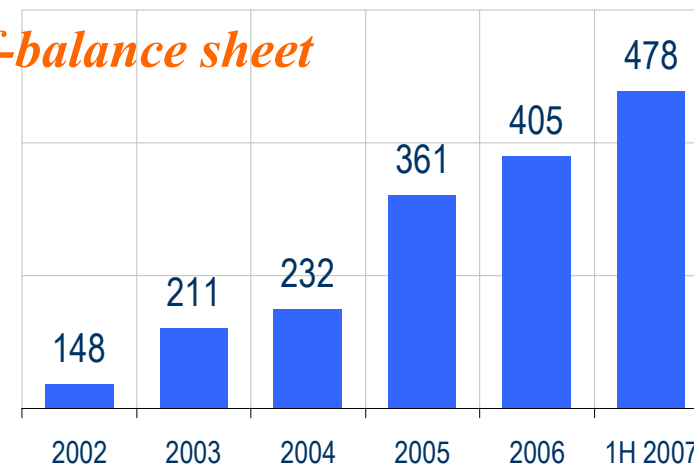
Loans



Deposits



Off-balance sheet

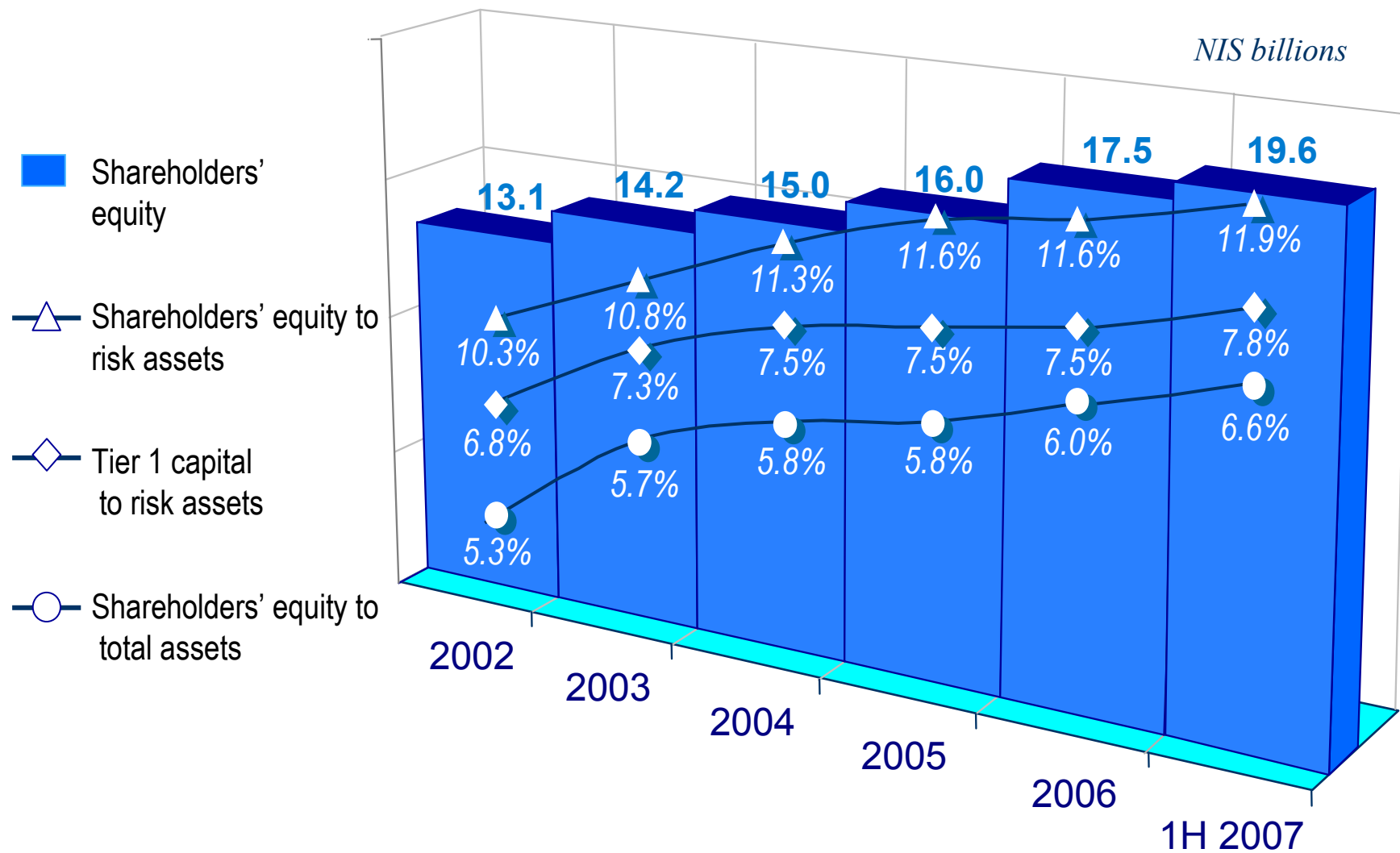


Changing sector emphasis in credit growth

NIS millions

	<i>1H 2007</i>	<i>31/12/06</i>	<i>% change</i>
Households	19,048	18,626	2.3%
Mortgages	34,204	33,373	2.4%
Small businesses	15,960	13,891	14.9%
Commercial banking	42,075	38,324	9.8%
Corporate banking	53,408	51,276	4.2%
Construction and real estate	22,788	22,501	1.3%
Private banking	5,077	4,364	16.3%

Indices of financial strength *...an upward trend*



Summary

<i>NIS millions</i>	<i>June 30, 2007</i>	
	<i>Actual</i>	<i>Adjusted</i>
Net operating profit	1,571	1,632
Rate of change*	104.8%	41.9%
Return on net operating profit	17.9%	18.6%
Decrease in expenses	(11.3%)	(0.4%)
Efficiency ratio	57.4%	55.3%
Provision for doubtful debts	0.05%	-
BIS	11.9%	
<i>Rate of change*</i>		
Total revenues	6.0%	-
Credit to the public	6.6%	-
Deposits of the public	7.8%	-
Off balance sheet items	28.3%	-

* to June 30, 2006