

Financial statements of the Leumi Group for the first quarter of 2007

Net profit of NIS 917 million (\$221 million) for Leumi in the first quarter of 2007

- ▶ Net return on equity in the first quarter – 22.2% (on an annual basis), compared with 30.4% in the same period last year (which included the sale of Leumi's holdings in Africa Israel Investments Ltd., and the sale of 10% of its shares in Migdal Insurance and Financial Holdings Ltd.)
- ▶ Net operating profit increased by 64.5% compared with the first quarter of 2006, and amounted to NIS 658 million (\$158 million)
- ▶ Return on net operating profit was 15.6% (on an annual basis), compared with 10.3% in the first quarter of 2006
- ▶ Net interest income and operating income continued to increase, growing by 9.0% and 5.1% respectively compared with the same period last year
- ▶ Leumi's capital adequacy ratio maintains its high level, at 11.9%

Leumi With You.

www.leumi.co.il ■ Leumi call *5522



The factors that favorably contributed to Leumi's profits in the first quarter of 2007:

**On the other hand, the following factors partially offset the increase in net operating profit:
Additional data from the financial statements:**

The Leumi Group today published its financial statements for the first quarter of 2007. The **net profit** of the Group for the first quarter is NIS 917 million (\$221 million), compared with NIS 1,112 million (\$268 million) in the corresponding period last year.

We note that the results of the first quarter of 2007 include extraordinary gains of NIS 259 million (\$62 million) from the sale of some of Leumi's provident funds, and that the first quarter of 2006 included extraordinary gains amounting to NIS 712 million (\$171 million) from the sale of Leumi's holdings in Africa Israel and 10% of the shares of Migdal.

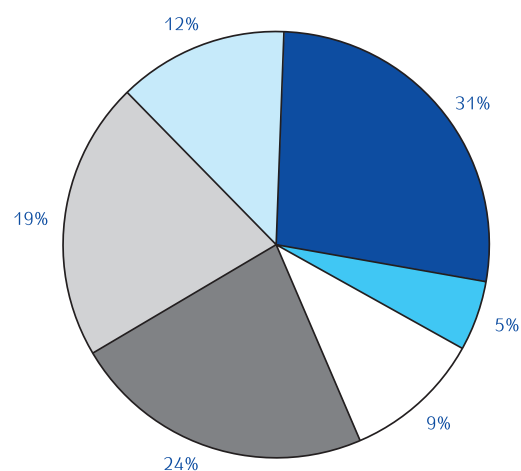
Net return on equity in the reviewed period amounted to 22.2% on an annual basis, compared with 30.4% in the corresponding period last year. Taking into consideration that the extraordinary gain from the sale of capital market and other companies was a one-time gain in essence, the net return on equity in the first quarter of 2007 amounted to 17.1%, compared with 14.7% in the first quarter of 2006.

Net operating profit in the first quarter of 2007 increased by 64.5% and amounted to NIS 658 million (\$158 million), compared with NIS 400 million (\$96 million) in the same period last year. **The return on net operating profit** was 15.6%, compared with 10.3% in the same period last year.

After neutralizing the special salary expenses which derived mainly from the privatization of the Bank, net operating profit increased by 27.6% and the **return on net operating profit** was 16.6%, compared with 14.2% in the corresponding period last year.

- A profit of NIS 259 million (\$62 million) from extraordinary items, as a result of the sale of some of Leumi's provident funds.
- A decrease of 94.5% in the provision for doubtful debts, from NIS 201 million (\$48 million) in the first quarter of 2006 to NIS 11 million (\$3 million) in the first quarter of 2007.
- An increase of 9.0%, to NIS 1,793 million (\$432 million) in net interest income before provision for doubtful debts, compared with the corresponding period in 2006.
- An increase of 5.1%, to NIS 988 million (\$238 million) in operating income compared with the corresponding period last year.
- A decrease of NIS 191 million (\$46 million) in operating and other expenses (after neutralizing the special salary expenses, the expenses remained unchanged).
- A decrease of NIS 39 million (\$9 million), net, in the Group's share in the profits of companies included on the equity basis.
- An effective tax rate which is higher than in 2006.
- **Total assets of the Leumi Group** on March 31, 2007 amounted to NIS 290.3 billion (\$69.9 billion), compared with NIS 276.5 billion (\$66.5 billion) on March 31, 2006 (an increase of 5.0%), and NIS 289.3 billion (\$69.6 billion) on December 31, 2006 (an increase of 0.3%).
- **Credit to the public** on March 31, 2007 amounted to NIS 185.8 billion (\$44.7 billion), compared with NIS 181.5 billion (\$43.7 billion) on March 31, 2006 (an increase of 2.4%) and NIS 183.8 billion (\$44.2 billion) on December 31, 2006 (an increase of 1.1%).
- **Deposits from the public** on March 31, 2007 amounted to NIS 226.9 billion (\$54.6 billion), compared with NIS 221.8 billion (\$53.4 billion) on March 31, 2006 (an increase of 2.3%) and NIS 231.8 billion (\$55.8 billion) on December 31, 2006 (a decrease of 2.1%).
- **The shareholders' equity** of the Group on March 31, 2007 amounted to NIS 18.5 billion (\$4.5 billion), compared with NIS 17.3 billion (\$4.2 billion) on March 31, 2006 and NIS 17.5 billion (\$4.2 billion) on December 31, 2006.

Contribution of operational segments to the net operating profit (after neutralizing special salary expenses)



■ Corporate Banking
 ■ Construction & Real Estate
 ■ Commercial Banking
 ■ Households
 ■ Small Businesses
 ■ Private Banking

Leumi Group
Main data from the financial statements

Profit and Profitability (in NIS millions)

	For the 3 months ended		Rate of change (%)
	31.3.07	31.3.06	
Net interest income before provision for doubtful debts	1,793	1,645	9.0
Provision for doubtful debts	11	201	(94.5)
Operating and other income	988	940	5.1
Operating and other expenses	1,630	1,821	(10.5)
Operating and other expenses after neutralizing special expenses	1,584	1,582	—
Net operating profit	658	400	64.5
Net profit for the period	917	1,112	(17.5)
Return on net profit*	22.2%	30.4%	
Return on net profit after neutralizing special salary expenses*	23.2%	34.9%	
Return on net operating profit	15.6%	10.3%	
Return on net operating profit after neutralizing special salary expenses	16.6%	14.2%	

* Taking into consideration that the extraordinary gain is a one-time gain in essence, the return on net profit in the first quarter was 17.1%, compared with 14.7% in the same period last year and the return on net profit after neutralizing special salary expenses was 18.0%, compared with 18.6% in the corresponding period.

Development of Balance Sheet Items (in NIS billions)

	As at March 31, 2007	As at March 31, 2006	As at Dec. 31, 2006	% change compared with	
				March 31, 2006	Dec. 31, 2006
Total assets	290.3	276.5	289.3	5.0	0.3
Credit to the public	185.8	181.5	183.8	2.4	1.1
Deposits from the public	226.9	221.8	231.8	2.3	(2.1)
Shareholders' equity	18.5	17.3	17.5	7.0	5.8

Principal Financial Ratios (in %)

	31.3.07	31.3.06	31.12.06
Credit to the public to total assets	64.0	65.6	63.5
Deposits of the public to total assets	78.2	80.2	80.1
Total shareholders' equity to risk assets (capital adequacy ratio)	11.88	12.01	11.56
Tier I capital to risk assets	7.76	7.81	7.53
Provision for doubtful debts from credit to the public	0.02	0.44	0.51
Financial margin	1.71	1.55	1.85
Operating expenses to total income (efficiency ratio)	58.6	70.4	67.2
Operating expenses to total income after neutralizing special salary expenses	57.0	61.2	58.7

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, 2007, which was NIS 4.155.