



## Press Release

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**BANK LEUMI USA REPORTS 2006 YEAR-END RESULTS**  
**Total Assets \$5.8 Billion**  
**Net Income of \$25.8 Million**  
**ROE YTD 7.1%**

New York, NY, May 7, 2007– Bank Leumi USA (“BLUSA”) today reported full year 2006 net income of \$25.8 million and total assets of \$5.8 billion compared with net income of \$20.9 million and total assets of \$6.1 billion for the year ended December 31, 2005. Year-to-date return on equity was 7.1% compared to 6.2% for the prior year.

“The 2006 interest rate environment was characterized by a flat to inverted yield curve, affecting net interest income. Nonetheless, we saw noteworthy growth in our loan portfolio due to increased lending activity in both U.S. and international lending particularly in our Florida and California regions. We are also pleased with the growth in non-interest income due to increased client trading activity. Our strong capital and high liquidity continue to allow us to exploit opportunities for growth in our key markets,” stated Mr. Uzi Rosen, president and chief executive officer. Mr. Rosen added that, “With our new systems and dedicated staff, we expect to continue to leverage our significant investments of recent years.”

During 2006, BLUSA determined that it had misapplied the provisions of paragraph 68 of FAS No. 133, “Accounting for Derivative Instruments and Hedging Activities.” This resulted in the disallowance of the hedge accounting treatment previously applied to certain certificate of deposit transactions entered into in 2002, 2003, 2004, and 2005 requiring BLUSA to restate its 2005 financial results.

The effect of the restatement resulted in a decrease in retained earnings as of January 1, 2005 of \$1,769M. The net effect of the restatement of income for year ended December 31, 2005 was a reduction in net income of \$3,367M to \$20,906M.

The following table compares 2006 results with 2005.

(millions)	Year Ended		% Change
	<u>12/31/06</u>	<u>12/31/05</u> (Restated)	
Total assets	\$5,751	\$6,128	-6.2%
Total loans	\$3,063	\$2,775	10.4%
Total deposits	\$4,787	\$4,828	-0.8%
Total equity	\$416.5	\$377.7	10.3%
Net income	\$ 25.8	\$ 20.9	23.4%
Return on equity YTD	7.1%	6.2%	--

Total assets decreased by \$377 million to a level of \$5.8 billion. Deposits decreased by \$41 million while loans increased by \$288 million. Loan growth is primarily attributable to expanded activities in our U.S. and international lending groups and our Southern California and Florida regions.

#### **Net Interest Income**

Net interest income for the year totaled \$93.3 million, representing a decrease of \$6.2 million from 2005, primarily caused by thinner interest rate margins and higher cost of funds.

#### **Non-Interest Income**

Non-interest income totaled \$47.6 million for the year compared to \$28.3 million in 2005, the increase primarily the result of an increase in client trading activity.

#### **Non-Interest Expense**

Non-interest expense totaled \$100.0 million for 2006, an increase of \$7.4 million or 8.1% over last year. This increase reflects improvements in our technology and compliance infrastructure.

#### **Loans and Allowance for Loan Losses**

Year-end loans of \$3.1 billion were \$288 million or 10.4% higher than year-end 2005. This reflects an improving trend in lending activity with notable increases in both our U.S. and international lending groups, particularly in our Southern California and Florida regions.

The Allowance for Loan Losses was \$63.1 million as of year-end and represents a ratio of 2.1% of total loans.

#### **Capital Adequacy**

The bank's tier 1 risk-based, total risk-based and leverage capital ratios were 8.18%, 11.50% and 6.94%, respectively, as of December 31, 2006, and remain in excess of regulatory requirements.

**Bank Leumi USA** is an FDIC-insured commercial bank that provides financial services to middle-to upper-middle market firms, international businesses, and not-for-profit organizations through offices in New York, Illinois, California and Florida. BLUSA offers U.S. and international private banking services as well as a full range of securities and insurance products through its brokerage subsidiary, Leumi Investment Services Inc. BLUSA, operating in the U.S. for more than fifty years, is the largest subsidiary of the Leumi Group, founded in 1902, with assets of \$65 billion.

**Bank Leumi USA  
and Subsidiaries**

**Consolidated Statements of Condition**  
(Dollars in Thousands)

	<u>as of Dec. 31 , 2006</u>	<u>as of Dec. 31, 2005</u>
<b>Assets</b>		(Restated)
Cash and Due from Banks	\$ 83,782	\$ 66,738
Federal Funds Sold	25,000	185,000
Time Deposits with Banks	25,500	115,505
Securities	2,287,466	2,743,803
Loans	3,063,162	2,775,325
Less: Allowance for Loan Losses	<u>63,123</u>	<u>63,520</u>
Loans – Net	3,000,039	2,711,805
Bank Premises and Equipment	21,744	23,851
Other Assets	<u>307,151</u>	<u>281,223</u>
<b>Total Assets</b>	<b><u>\$ 5,750,682</u></b>	<b><u>\$ 6,127,925</u></b>
<b>Liabilities</b>		
Non Interest Bearing Deposits	\$ 493,384	\$ 480,267
Interest Bearing Deposits	4,293,479	4,348,044
Other Borrowings	310,000	699,838
Other Liabilities	137,335	122,099
Long-Term Debt	100,000	100,000
<b>Shareholders' Equity</b>	<b><u>416,484</u></b>	<b><u>377,677</u></b>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$ 5,750,682</u></b>	<b><u>\$ 6,127,925</u></b>

**Bank Leumi USA  
and Subsidiaries**

**Consolidated Statements of Income**  
(Dollars in Thousands)

	<u>Years Ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
		(Restated)
Interest Income	\$ 306,250	\$ 247,416
Interest Expense	<u>212,952</u>	<u>147,906</u>
Net Interest Income	93,298	99,510
Less: Provision for loan losses	<u>3,000</u>	<u>2,500</u>
Net Interest Income after Provision for loan losses	90,298	97,010
Non-Interest Income	47,613	28,248
Non-Interest Expense	<u>100,043</u>	<u>92,593</u>
Income before Income Taxes	37,868	32,665
Income Tax Expense	<u>12,026</u>	<u>11,759</u>
<b>Net Income</b>	<b><u>\$ 25,842</u></b>	<b><u>\$ 20,906</u></b>