

Bank Leumi le-Israel B.M. and subsidiaries

Condensed Consolidated Balance Sheet as at 31 March 2003
adjusted for the effect of inflation on the basis of the index of March 2003 (NIS millions)

	31.3.2003	31.3.2002	31.12.2002
ASSETS			
Cash and deposits with banks	22,574	20,688	24,417
Securities	38,708	38,773	37,125
Credit to the public	173,539	173,138	176,427
Credit to governments	1,387	1,580	1,464
Investments in companies included on the equity basis	1,402	1,444	1,387
Buildings and equipment	2,643	2,501	2,621
Other assets	6,385	5,913	6,694
Total assets	<u>246,638</u>	<u>244,037</u>	<u>250,135</u>

	31.3.2003	31.3.2002	31.12.2002
LIABILITIES AND EQUITY CAPITAL			
Deposits of the public	206,600	203,046	210,570
Deposits from banks	3,893	4,359	3,771
Deposits from governments	2,877	3,471	3,012
Debentures, bonds and subordinated notes	10,800	10,648	10,503
Other liabilities	8,458	8,634	8,351
Total liabilities	<u>232,628</u>	<u>230,158</u>	<u>236,207</u>
Minority interest	269	473	424
Shareholders' equity	13,741	13,406	13,504
Total liabilities and equity capital	<u>246,638</u>	<u>244,037</u>	<u>250,135</u>

**Condensed Consolidated Statement of Changes in Shareholders' Equity
for the Period Ended 31 March 2003
adjusted for the effect of inflation on the basis of the index
of March 2003 (NIS millions)**

For the Three Months Ended 31 March (Unaudited)

	2003			2002		
	Capital and capital reserves	Retained earnings	Total Shareholders' equity	Capital and capital reserves	Retained earnings	Total Shareholders' equity
Balance at the beginning of the period	7,202	6,302	13,504	7,202	6,122	13,324
Net profit for the period	—	176	176	—	230	230
Adjustments in respect of presentation of securities available for sale at fair value	—	125	125	—	(268)	(268)
Related tax effect	—	(58)	(58)	—	117	117
Translation adjustments for companies included on equity basis	—	(6)	(6)	—	3	3
Balance at the end of the period	<u>7,202</u>	<u>6,539(A)</u>	<u>13,741</u>	<u>7,202</u>	<u>6,204(A)</u>	<u>13,406</u>

For the Year Ended 31 December 2002 (Audited)

	Capital and capital reserves	Retained earnings	Total Shareholders' equity
Balance as at 1 January 2002	7,202	6,122	13,324
Net profit for the year	—	433	433
Adjustments in respect of presentation of securities available for sale at fair value	—	(434)	(434)
Related tax effect	—	198	198
Translation adjustments for companies included on equity basis	—	15	15
Loans to employees for purchase of the Bank's shares	—	(32)	(32)
Balance as at 31 December 2002	<u>7,202</u>	<u>6,302(A)</u>	<u>13,504</u>

(A) The retained earnings at the end of the period include:

- Adjustments from translation of the financial statements of autonomous foreign subsidiaries, amounting to NIS (385) millions (31 March 2002 - NIS (389) millions, 31 December 2002 - NIS (379) millions).
- Adjustments in respect of presentation of securities available for sale at fair value in a net amount of NIS (72) millions (31 March 2002 - NIS (53) millions, 31 December 2002 - NIS (139) millions).

Eitan Raff
Chairman of the Board of Directors

Galia Maor
President and Chief Executive Officer

Zeev Nahari
Deputy Chief Executive Officer
Head of Finance and Accounting Division

**Condensed Consolidated Statement of Profit and Loss
for the Period Ended 31 March 2003
adjusted for the effect of inflation on the basis of the index
of March 2003 (NIS millions)**

	For the Three Months Ended 31 March		For the Year Ended 31 December
	2003 (Unaudited)	2002 (Unaudited)	2002 (Audited)
Net interest income before provision for doubtful debts	1,439	1,331(A)	5,221
Provision for doubtful debts	375	370	1,959
Net interest income after provision for doubtful debts	1,064	961	3,262
Operating and other income			
Operating commissions	617	638	2,498
Profits (losses) from investments in shares, net	15	9(A)	(7)
Other income	102	133	483
Total operating and other income	734	780	2,974
Operating and other expenses			
Salaries and related expenses	932	828	3,570
Building and equipment maintenance and depreciation	259	233	1,016
Other expenses	258	234	808
Total operating and other expenses	1,449	1,295	5,394
Operating profit before taxes	349	446	842
Provision for taxes on operating profit	205	189	269
Operating profit after taxes	144	257	573
Equity in after-tax operating profit (loss) of companies included on equity basis	36	(12)	(33)
Minority interest in after-tax operating profits of subsidiaries	(1)	(14)	(116)
Net operating profit	179	231	424
After-tax profit (loss) from extraordinary items	(3)	(1)	9
Net profit for the period	176	230	433
Profit per NIS 1 par value of share capital		(NIS)	
Net operating profit	0.127	0.164	0.300
After-tax profit (loss) from extraordinary items	(0.002)	(0.001)	0.006
Total	0.125	0.163	0.306
		(NIS thousands)	
Par value of share capital used in the above computation	1,414,233	1,414,233	1,414,233

(A) Reclassified.

The complete quarterly report for the period ended 31 March 2003 including condensed financial statements, directors' report and management review is available for public inspection at all branches of the Bank. A copy of the said report will be provided on request. The representative exchange rate against the dollar on 31 March 2003, according to which the financial statements have been prepared, was NIS 4.687.

29 May 2003