

Bank Leumi le-Israel B.M. and subsidiaries

Condensed Consolidated Balance Sheet as at 31 March 2004 (NIS millions)

ASSETS	31.3.2004	31.3.2003	31.12.2003
	(Unaudited)	(Unaudited)	(Audited)
	Reported amounts (A)	Adjusted for the effect of inflation on the basis of the index of December 2003	
Cash and deposits with banks	24,743	21,977	23,763
Securities	40,530	37,684	40,262
Credit to the public	168,479	168,950	169,151
Credit to governments	1,104	1,350	1,129
Investments in companies included on the equity basis	1,424	1,365	1,361
Buildings and equipment	2,619	2,573	2,612
Other assets	7,249	6,217	8,307
Total assets	<u>246,148</u>	<u>240,116</u>	<u>246,585</u>

LIABILITIES AND EQUITY CAPITAL	31.3.2004	31.3.2003	31.12.2003
	(Unaudited)	(Unaudited)	(Audited)
	Reported amounts (A)	Adjusted for the effect of inflation on the basis of the index of December 2003	
Deposits of the public	202,180	201,137	203,586
Deposits from banks	5,498	3,790	4,557
Deposits from governments	3,114	2,801	2,903
Debentures, bonds and subordinated notes	10,662	10,514	10,613
Other liabilities	9,873	8,234	10,455
Total liabilities	231,327	226,476	232,114
Minority interest	262	262	258
Shareholders' equity	14,559	13,378	14,213
Total liabilities and equity capital	<u>246,148</u>	<u>240,116</u>	<u>246,585</u>

**Condensed Consolidated Statement of Profit and Loss
for the Period Ended 31 March 2004 (NIS millions)
Reported amounts (A)**

	For the Three Months Ended 31 March		For the Year Ended 31 December
	2004 (Unaudited)	2003 (B) (Unaudited)	2003 (B) (Audited)
Net interest income before provision for doubtful debts	1,545	1,524	5,975
Provision for doubtful debts	401	382	1,883
Net interest income after provision for doubtful debts	1,144	1,142	4,092
Operating and other income			
Operating commissions	691	617	2,491
Profits from investments in shares, net	9	15	24
Other income	145	102	679
Total operating and other income	845	734	3,194
Operating and other expenses			
Salaries and related expenses	834	952	3,370
Building and equipment maintenance and depreciation	259	256	1,064
Other expenses	267	257	1,147
Total operating and other expenses	1,360	1,465	5,581
Operating profit before taxes in reported amounts	629	411	1,705
Inflationary erosion and adjustments (C)	—	(72)	135
Provision for taxes on operating profit	224	199	824
Operating profit after taxes	405	140	1,016
Equity in after-tax operating profit of companies included on equity basis	61	35	152
Minority interest in after-tax operating profits of subsidiaries	(3)	(1)	(9)
Net operating profit	463	174	1,159
After-tax loss from extraordinary items	(2)	(3)	(14)
Net profit for the period	461	171	1,145

Adjusted for the effect of inflation on the
basis of the index of December 2003

**Profit per NIS 1 par value of
share capital**

	(NIS)		
Net operating profit	0.327	0.123	0.820
After-tax loss from extraordinary items	(0.001)	(0.002)	(0.010)
Total	0.326	0.121	0.810

	(NIS thousands)		
Par value of share capital used in the above computation.	1,414,233	1,414,233	1,414,233

(A) Inflationary adjustment ceased as of the basis of the index of December 2003.

(B) Inflationary adjustment ceased as of the basis of the index of December 2002. Comparative data from operating profit before taxes to net profit for the period are adjusted for the effect of inflation based on the index of December 2003.

(C) Inflationary erosion and adjustments of income and expenses that were included in the operating profit before taxes in reported amounts after the effect of inflation based on the index of December 2003.

The complete quarterly report for the period ended 31 March 2004 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 2004, according to which the financial statements have been prepared, was NIS 4.528.

**Condensed Consolidated Statement of Changes in Shareholders' Equity
for the Period Ended 31 March 2004 (NIS millions)**

For the Three Months Ended 31 March (Unaudited)

	2004			2003		
	Capital and capital reserves	Retained earnings	Total Shareholders' equity	Capital and capital reserves	Retained earnings	Total Shareholders' equity
	Reported amounts (A)			Adjusted for the effect of inflation on the basis of the index of December 2003		
Balance at the beginning of the period	7,010	7,203	14,213	7,010	6,137	13,147
Net profit for the period	—	461	461	—	171	171
Proposed dividend	—	(82)	(82)	—	—	—
Adjustments in respect of presentation of securities available for sale at fair value	—	(87)	(87)	—	122	122
Related tax effect	—	48	48	—	(56)	(56)
Translation adjustments for companies included on equity basis	—	6	6	—	(6)	(6)
Balance at the end of the period	<u>7,010</u>	<u>7,549(B)</u>	<u>14,559</u>	<u>7,010</u>	<u>6,368(B)</u>	<u>13,378</u>

For the Year Ended 31 December 2003 (Audited)

	Capital and capital reserves	Retained earnings	Total Shareholders' equity
	Adjustment for the effect of inflation on the basis of the index of December 2003		
Balance as at 1 January 2003	7,010	6,137	13,147
Net profit for the year	—	1,145	1,145
Proposed dividend	—	(318)	(318)
Adjustments in respect of presentation of securities available for sale at fair value	—	470	470
Related tax effect	—	(216)	(216)
Translation adjustments for companies included on equity basis	—	(17)	(17)
Loans to employees for purchase of the Bank's shares	—	2	2
Balance as at 31 December 2003	<u>7,010</u>	<u>7,203 (B)</u>	<u>14,213</u>

(A) Inflationary adjustment ceased as of the basis of the index of December 2003.

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

- Adjustments from translation of the financial statements of autonomous foreign subsidiaries, amounting to NIS (379) millions (31 March 2003 - NIS (374) millions, 31 December 2003 - NIS (385) millions).
- Adjustments in respect of presentation of securities available for sale at fair value in a net amount of NIS 80 millions (31 March 2003 - NIS (69) millions, 31 December 2003 - NIS 119 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

31 May 2004