

Bank Leumi le-Israel B.M. and subsidiaries

Condensed Consolidated Balance Sheet as at 30 June 2004 (NIS millions)

ASSETS	30.6.2004	30.6.2003	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	25,715	22,485	23,763
Securities	40,881	37,895	40,262
Credit to the public	169,411	164,987	169,151
Credit to governments	1,020	1,131	1,129
Investments in companies included on the equity basis	1,531	1,302	1,361
Buildings and equipment	2,611	2,562	2,612
Other assets	6,975	6,606	8,307
Total assets	248,144	236,968	246,585

LIABILITIES AND EQUITY CAPITAL	30.6.2004	30.6.2003	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	204,503	197,544	203,586
Deposits from banks	5,071	3,271	4,557
Deposits from governments	2,967	2,939	2,903
Debentures, bonds and subordinated notes	10,857	10,368	10,613
Other liabilities	9,530	8,726	10,455
Total liabilities	232,928	222,848	232,114
Minority interest	263	244	258
Shareholders' equity	14,953	13,876	14,213
Total liabilities and equity capital	248,144	236,968	246,585

Condensed Consolidated Statement of Profit and Loss
for the Periods Ended 30 June 2004 (NIS millions)
 Reported amounts (A)

	For the Three Months Ended 30 June		For the Six Months Ended 30 June		For the Year Ended 31 December
	2004 (Unaudited)	2003(B) (Unaudited)	2004 (Unaudited)	2003(B) (Unaudited)	2003(B) (Audited)
Net interest income before provision for doubtful debts	1,623	1,464	3,168	2,988	5,975
Provision for doubtful debts	261	509	662	891	1,883
Net interest income after provision for doubtful debts	1,362	955	2,506	2,097	4,092
Operating and other income					
Operating commissions	680	630(D)	1,369	1,245(D)	2,485(D)
Profits from investments in shares, net	12	2	21	17	24
Other income	154	247(D)	301	351(D)	685(D)
Total operating and other income	846	879	1,691	1,613	3,194
Operating and other expenses					
Salaries and related expenses	747	717	1,581	1,669	3,370
Building and equipment maintenance and depreciation	269	269	528	525	1,064
Other expenses	286	281	553	538	1,147
Total operating and other expenses	1,302	1,267	2,662	2,732	5,581
Operating profit before taxes in reported amounts	906	567	1,535	978	1,705
Inflationary erosion and adjustments (C)	—	94	—	22	135
Operating profit before taxes	906	661	1,535	1,000	1,840
Provision for taxes on operating profit	473	372	697	571	824
Operating profit after taxes	433	289	838	429	1,016
Equity in after-tax operating profit of companies included on equity basis	122	39	183	74	152
Minority interest in after-tax operating losses (profits) of subsidiaries	(3)	16	(6)	15	(9)
Net operating profit	552	344	1,015	518	1,159
Cumulative effect of change in accounting method	(20)	—	(20)	—	—
After-tax loss from extraordinary items	(1)	(21)	(3)	(24)	(14)
Net profit for the period	531	323	992	494	1,145

	Adjusted for the effect of inflation on the basis of the index of December 2003		Adjusted for the effect of inflation on the basis of the index of December 2003	
	Reported (A)	Reported (A)	Reported (A)	Reported (A)
Profit per NIS 1 par value of share capital				
		(NIS)		
Net operating profit	0.390	0.243	0.718	0.366
Cumulative effect of change in accounting method	(0.014)	—	(0.014)	—
After-tax loss from extraordinary items	(0.001)	(0.015)	(0.002)	(0.017)
Total	0.375	0.228	0.702	0.349
		(NIS thousands)		
Par value of share capital used in the above computation	1,414,233	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.
 (D) Reclassified.

The complete quarterly report for the period ended 30 June 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 30 June 2004, according to which the financial statements have been prepared, was NIS 4.497.

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 Changes in Shareholders' Equity
for the Periods Ended 30 June 2004 (NIS millions)**

For the Three Months Ended 30 June (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	7,549	14,559	7,010	6,367	13,377
Net profit for the period	—	531	531	—	323	323
Adjustments of dividend paid to a company included on equity basis	—	3	3	—	—	—
Adjustments in respect of presentation of securities available for sale at fair value	—	(244)	(244)	—	323	323
Related tax effect	—	86	86	—	(144)	(144)
Translation adjustments for companies included on equity basis	—	18	18	—	(3)	(3)
Balance at the end of the period	<u>7,010</u>	<u>7,943(B)</u>	<u>14,953</u>	<u>7,010</u>	<u>6,866(B)</u>	<u>13,876</u>

For the Six Months Ended 30 June (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	—	992	992	—	494	494
Proposed dividend	—	(82)	(82)	—	—	—
Adjustments of dividend paid to a company included on equity basis	—	3	3	—	—	—
Adjustments in respect of presentation of securities available for sale at fair value	—	(331)	(331)	—	445	445
Related tax effect	—	134	134	—	(200)	(200)
Translation adjustments for companies included on equity basis	—	24	24	—	(10)	(10)
Balance at the end of the period	<u>7,010</u>	<u>7,943(B)</u>	<u>14,953</u>	<u>7,010</u>	<u>6,866(B)</u>	<u>13,876</u>

For the Year Ended 31 December 2003 (Audited)

	Capital and capital reserves	Retained earnings	Total Shareholders' equity
	Adjusted 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 (361) millions (30 June 2003 - NIS (378) 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 (78) millions (30 June 2003 - NIS 110 millions, 31 December 2003 - NIS 119 millions).

31 August 2004