

Bank Leumi le-Israel B.M. and subsidiaries

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

ASSETS	31 December	
	2004	2003
	Reported amounts (A)	Adjusted amounts (B)
Cash and deposits with banks	30,033	23,763
Securities	43,543	40,262
Credit to the public	169,353	169,151
Credit to governments	963	1,129
Investments in companies included on the equity basis	1,754	1,361
Buildings and equipment	2,668	2,612
Other assets	7,468	8,307
Total assets	<u>255,782</u>	<u>246,585</u>

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

(B) Amounts adjusted for the effect of inflation on the basis of the index of December 2003.

LIABILITIES AND EQUITY CAPITAL	31 December	
	2004	2003
	Reported amounts (A)	Adjusted amounts (B)
Deposits of the public	209,652	203,586
Deposits from banks	5,655	4,557
Deposits from governments	3,025	2,903
Debentures, bonds and subordinated notes	11,256	10,613
Other liabilities	10,932	10,455
Total liabilities	240,520	232,114
Minority interest	276	258
Shareholders' equity	14,986	14,213
Total liabilities and equity capital	<u>255,782</u>	<u>246,585</u>

**Condensed Consolidated Statement of Changes in Shareholders' Equity
for the year ended 31 December 2004 (Audited)
(NIS millions)**

	Capital and capital reserves	Retained earnings (C)	Total shareholders' equity
Adjusted amounts (A)			
Balance as at 1 January 2002	7,010	5,962	12,972
Net profit for the year	—	422	422
Adjustments in respect of presentation of securities available for sale at fair value	—	(423)	(423)
Related tax effect	—	192	192
Adjustments from translation in respect of companies included on the equity basis	—	15	15
Loans to employees for purchase of the Bank's shares	—	(31)	(31)
Balance as at 31 December 2002	<u>7,010</u>	<u>6,137</u>	<u>13,147</u>
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)
Adjustments from translation in respect of companies included on the equity basis	—	(17)	(17)
Loans to employees for purchase of the Bank's shares	—	2	2
Balance as at 31 December 2003	<u><u>7,010</u></u>	<u><u>7,203</u></u>	<u><u>14,213</u></u>
Reported amounts (B)			
Balance as at 1 January 2004	7,010	7,203	14,213
Net profit for the year	—	1,864	1,864
Proposed dividend	—	(1,086)	(1,086)
Adjustments in respect of presentation of securities available for sale at fair value	—	(45)	(45)
Related tax effect	—	20	20
Adjustments from translation in respect of companies included on the equity basis	—	18	18
Loans to employees for purchase of the Bank's shares	—	2	2
Balance as at 31 December 2004	<u><u>7,010</u></u>	<u><u>7,976</u></u>	<u><u>14,986</u></u>

(A) Amounts adjusted for the effect of inflation on the basis of the index of December 2003.

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

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

1. Adjustments from translation of the financial statements of autonomous foreign subsidiaries, amounting to NIS (367) millions (31 December 2003 - NIS (385) millions, 31 December 2002 - NIS (368) millions).
2. Adjustments in respect of presentation of securities available for sale at fair value in a net amount of NIS 94 millions (31 December 2003 - NIS 119 millions, 31 December 2002 - NIS (135) millions).
3. Including NIS 586 millions which can not be distributed as a dividend (31 December 2003 - NIS 537 millions, 31 December 2002 - NIS 884 millions). The remaining amount that can be distributed is subject to Bank of Israel's instructions and limitations in Bank of Israel's Proper Banking Management Directives.

**Condensed Consolidated Statement of Profit and Loss
for the year ended 31 December 2004 (Audited)
(NIS millions)**

	For the year ended 31 December		
	2004	2003	2002
	Reported amounts (A)	Reported amounts (A)	Adjusted amounts (B)
Net interest income before provision for doubtful debts	6,359	5,975	5,083
Provision for doubtful debts	1,514	1,883	1,907
Net interest income after provision for doubtful debts	4,845	4,092	3,176
Operating and other income	3,403	3,216	2,896
Operating and other expenses	5,488	5,603	5,252
Operating profit before taxes in reported amounts (Year 2002 - adjusted)	2,760	1,705	820
Inflationary erosion and adjustments (C)	—	135	—
Operating profit before taxes	2,760	1,840 (B)	820
Provision for taxes on operating profit	1,244	824 (B)	262
Operating profit after taxes	1,516	1,016 (B)	558
Equity in after-tax operating profits (losses) of companies included on the equity basis, net of related tax effect	410	152 (B)	(32)
Minority interest in after-tax operating profits of subsidiaries	(22)	(9)(B)	(113)
Net operating profit	1,904	1,159 (B)	413
Cumulative effect of change in accounting method	(32)	—	—
After-tax profit (loss) from extraordinary items	(8)	(14)(B)	9
Net profit	1,864	1,145 (B)	422

	Reported amounts (A)	Adjusted amounts (B)	Adjusted amounts (B)
	(NIS)		
Net operating profit	1.347	0.820	0.292
Cumulative effect of change in accounting method	(0.023)	—	—
After-tax profit (loss) from extraordinary items	(0.006)	(0.010)	0.006
Net profit	1.318	0.810	0.298

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

- (A) For the year 2004 - Inflationary adjustment ceased as of the basis of the index of December 2003.
For the year 2003 - Inflationary adjustment ceased as of the basis of the index of December 2002.
(B) Amounts adjusted for the effect of inflation on the basis of 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 financial statements are available for inspection at all branches of the Bank and a copy will be provided upon request. The representative exchange rate against the dollar on 31 December 2004, according to which the financial statements have been prepared, was NIS 4.308.

Eitan Raff
Chairman of the Board
of Directors

Itzhak Hoffi
Director

Meir Dayan
Director

Galia Maor
President and
Chief Executive Officer

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