

Bank Leumi le-Israel B.M. and subsidiaries

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

ASSETS	30.9.2004	30.9.2003	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	22,406	21,825	23,763
Securities	42,775	38,549	40,262
Credit to the public	169,989	169,433	169,151
Credit to governments	1,038	1,220	1,129
Investments in companies included on the equity basis	1,649	1,316	1,361
Buildings and equipment	2,631	2,562	2,612
Other assets	6,397	7,029	8,307
Total assets	246,885	241,934	246,585

LIABILITIES AND EQUITY CAPITAL	30.9.2004	30.9.2003	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	202,776	200,991	203,586
Deposits from banks	5,762	4,018	4,557
Deposits from governments	2,937	3,023	2,903
Debentures, bonds and subordinated notes	10,958	10,653	10,613
Other liabilities	8,620	8,770	10,455
Total liabilities	231,053	227,455	232,114
Minority interest	264	259	258
Shareholders' equity	15,568	14,220	14,213
Total liabilities and equity capital	246,885	241,934	246,585

**Condensed Consolidated Statement of Profit and Loss
for the Periods Ended 30 September 2004 (NIS millions)**

Reported amounts (A)

	For the Three Months Ended 30 September		For the Nine Months Ended 30 September		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	1,601	1,437	4,769	4,425	5,975
Provision for doubtful debts	322	379	984	1,270	1,883
Net interest income after provision for doubtful debts	1,279	1,058	3,785	3,155	4,092
Operating and other income					
Operating commissions	670	608 (D)	2,039	1,864 (D)	2,507 (D)
Profits from investments in shares, net	13	17	34	34	24
Other income	152	116 (D)	453	467 (D)	685 (D)
Total operating and other income	835	741	2,526	2,365	3,216
Operating and other expenses					
Salaries and related expenses	813	820	2,394	2,489	3,370
Building and equipment maintenance and depreciation	273	258	801	783	1,064
Other expenses	268	254 (D)	821	803 (D)	1,169 (D)
Total operating and other expenses	1,354	1,332	4,016	4,075	5,603
Operating profit before taxes in reported amounts	760	467	2,295	1,445	1,705
Inflationary erosion and adjustments (C)	—	76	—	98	135
Operating profit before taxes	760	543	2,295	1,543	1,840
Provision for taxes on operating profit	329	154	1,026	725	824
Operating profit after taxes	431	389	1,269	818	1,016
Equity in after-tax operating profit of companies included on equity basis	111	37	294	111	152
Minority interest in after-tax operating profits of subsidiaries	(1)	(16)	(7)	(1)	(9)
Net operating profit	541	410	1,556	928	1,159
Cumulative effect of change in accounting method	—	—	(20)	—	—
After-tax profit (loss) from extraordinary items	(2)	6	(5)	(18)	(14)
Net profit for the period	539	416	1,531	910	1,145

	Reported (A)	Adjusted for the effect of inflation on the basis of the index of December 2003	Reported (A)	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	0.382	0.290	1.101	0.656
Cumulative effect of change in accounting method	—	—	(0.014)	—
After-tax profit (loss) from extraordinary items	(0.001)	0.004	(0.004)	(0.013)
Total	0.381	0.294	1.083	0.643
Par value of share capital used in the above computation	1,414,233	1,414,233	1,414,233	1,414,233
			(NIS thousands)	

- (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 periods ended 30 September 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 September 2004, according to which the financial statements have been prepared, was NIS 4.482.

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 September 2004 (NIS millions)**

For the Three Months Ended 30 September (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	7,943	14,953	7,010	6,866	13,876
Net profit for the period	—	539	539	—	416	416
Adjustments in respect of presentation of securities available for sale at fair value	—	120	120	—	(94)	(94)
Related tax effect	—	(42)	(42)	—	42	42
Translation adjustments for companies included on equity basis	—	(4)	(4)	—	(20)	(20)
Loans to employees for purchase of the Bank's shares	—	2	2	—	—	—
Balance at the end of the period	<u>7,010</u>	<u>8,558(B)</u>	<u>15,568</u>	<u>7,010</u>	<u>7,210(B)</u>	<u>14,220</u>

For the Nine Months Ended 30 September (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	—	1,531	1,531	—	910	910
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	—	(212)	(212)	—	351	351
Related tax effect	—	94	94	—	(158)	(158)
Translation adjustments for companies included on equity basis	—	19	19	—	(30)	(30)
Loans to employees for purchase of the Bank's shares	—	2	2	—	—	—
Balance at the end of the period	<u>7,010</u>	<u>8,558(B)</u>	<u>15,568</u>	<u>7,010</u>	<u>7,210(B)</u>	<u>14,220</u>

* The dividend was paid on 30 June 2004.

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 (366) millions (30 September 2003 - NIS (398) 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 1 million (30 September 2003 - NIS 58 millions, 31 December 2003 - NIS 119 millions).