

Bank Leumi le-Israel B.M. and subsidiaries

Condensed Consolidated Balance Sheet as at 31 March 2005 (NIS millions)

Reported amounts

ASSETS	31.3.2005 (Unaudited)	31.3.2004 (Unaudited)	31.12.2004 (Audited)
Cash and deposits with banks	31,333	24,743	30,033
Securities	44,692	40,530	43,543
Credit to the public	168,921	168,479	169,353
Credit to governments	913	1,104	963
Investments in companies included on the equity basis	1,843	1,424	1,754
Buildings and equipment	2,710	2,619	2,668
Other assets	6,493	7,249	7,468
Total assets	256,905	246,148	255,782

(A) Restated.

LIABILITIES AND EQUITY CAPITAL	31.3.2005 (Unaudited)	31.3.2004 (Unaudited)	31.12.2004 (Audited)
Deposits of the public	210,109	202,180	209,652
Deposits from banks	5,986	5,498	5,655
Deposits from governments	3,070	3,114	3,025
Debentures, bonds and subordinated notes	12,673	10,662	11,256
Other liabilities	9,339	9,905(A)	10,932
Total liabilities	241,177	231,359	240,520
Minority interest	267	262	276
Shareholders' equity	15,461	14,527(A)	14,986
Total liabilities and equity capital	256,905	246,148	255,782

**Condensed Consolidated Statement of Profit and Loss
for the Period Ended 31 March 2005 (NIS millions)**

Reported amounts

	For the Three Months Ended 31 March		For the Year Ended 31 December
	2005	2004	2004
	(Unaudited)	(Unaudited)	(Audited)
Net interest income before provision for doubtful debts	1,592	1,545	6,359
Provision for doubtful debts	445	401	1,514
Net interest income after provision for doubtful debts	1,147	1,144	4,845
Operating and other income			
Operating commissions	693	689(A)	2,718
Profits from investments in shares, net	7	9	43
Other income	187	147(A)	642
Total operating and other income	887	845	3,403
Operating and other expenses			
Salaries and related expenses	864	834	3,248
Building and equipment maintenance and depreciation	277	259	1,079
Other expenses	279	267	1,161
Total operating and other expenses	1,420	1,360	5,488
Operating profit before taxes	614	629	2,760
Provision for taxes on operating profit	233	224	1,244
Operating profit after taxes	381	405	1,516
Equity in after-tax operating profit of companies included on equity basis	141	61	410
Minority interest in after-tax operating losses (profits) of subsidiaries	9	(3)	(22)
Net operating profit	531	463	1,904
Cumulative effect of change in accounting method at the beginning of the year	—	(32)(B)	(32)
After-tax loss from extraordinary items	(3)	(2)	(8)
Net profit for the period	528	429	1,864
Profit per NIS 1 par value of share capital		(NIS)	
Net operating profit	0.375	0.327	1.347
Cumulative effect of change in accounting method at the beginning of the year	—	(0.023)(B)	(0.023)
After-tax loss from extraordinary items	(0.002)	(0.001)	(0.006)
Total	0.373	0.303	1.318
		(NIS thousands)	
Par value of share capital used in the above computation.	1,414,233	1,414,233	1,414,233

(A) Reclassified.

(B) Restated.

The complete quarterly report for the period ended 31 March 2005 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 2005, according to which the financial statements have been prepared, was NIS 4.361.

**Condensed Consolidated Statement of Changes in Shareholders' Equity
for the Period Ended 31 March 2005 (NIS millions)**

Reported amounts

For the Three Months Ended 31 March (Unaudited)

	2005			2004		
	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	7,010	7,976	14,986	7,010	7,203	14,213
Net profit for the period	—	528	528	—	429 (A)	429
Proposed dividend	—	—	—	—	(82)	(82)
Adjustments in respect of presentation of securities available for sale at fair value	—	(72)	(72)	—	(87)	(87)
Related tax effect	—	23	23	—	48	48
Translation adjustments for companies included on equity basis	—	(8)	(8)	—	6	6
Loans to employees for purchase of the Bank's shares	—	4	4	—	—	—
Balance at the end of the period	<u>7,010</u>	<u>8,451 (B)</u>	<u>15,461</u>	<u>7,010</u>	<u>7,517 (B)</u>	<u>14,527</u>

For the Year Ended 31 December 2004 (Audited)

	Capital and capital reserves	Retained earnings	Total Shareholders' equity
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
Translation adjustments for companies included on equity basis	—	18	18
Loans to employees for purchase of the Bank's shares	—	2	2
Balance as at 31 December 2004	<u>7,010</u>	<u>7,976 (B)</u>	<u>14,986</u>

(A) Restated.

(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 (375) millions (31 March 2004 - NIS (379) millions, 31 December 2004 - NIS (367) millions).
- Adjustments in respect of presentation of securities available for sale at fair value in a net amount of NIS 45 millions (31 March 2004 - NIS 80 millions, 31 December 2004 - NIS 94 millions).

31 May 2005

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