

Bank Leumi le-Israel B.M. and subsidiaries

Condensed Consolidated Balance Sheet as at 30 September 2012 (NIS millions)

Reported amounts

	30.9.2012 (Unaudited)	30.9.2011 (Unaudited)	31.12.2011 (Audited)
ASSETS			
Cash and deposits with banks	48,340	54,662	53,044
Securities	56,183	38,356	47,936
Securities borrowed or purchased under agreements to resell	1,946	1,252	1,225
Credit to the public	245,407	241,171	245,287
Allowance for credit losses	(3,943)	(3,856)	(3,967)
Credit to the public, net	241,464	237,315	241,320
Credit to governments	418	403	448
Investments in companies included on equity basis	2,303	2,350	2,270
Buildings and equipment	3,751	3,615	3,653
Intangible assets and goodwill	168	45	181
Assets in respect of derivative instruments	10,494	11,496	11,573
Other assets	4,463	3,681	4,204
Total assets	369,530	353,175	365,854
	30.9.2012 (Unaudited)	30.9.2011 (Unaudited)	31.12.2011 (Audited)
LIABILITIES AND EQUITY			
Deposits of the public	285,229	267,249	279,404
Deposits from banks	2,863	6,327	5,056
Deposits from governments	456	443	519
Securities lent or sold under agreements to repurchase	1,248	778	442
Debentures, bonds and subordinated notes	28,189	28,573	29,999
Liabilities in respect of derivative instruments	11,259	12,636	12,069
Other liabilities	14,967	14,055	14,737
Total liabilities	344,211	330,061	342,226
Non-controlling interests	301	343	254
Equity attributable to shareholders of the banking corporation	25,018	22,771	23,374
Total equity	25,319	23,114	23,628
Total liabilities and equity	369,530	353,175	365,854

Condensed Consolidated Statement of Profit and Loss for the Periods Ended 30 September 2012 (NIS millions)

Reported amounts

	For the three months ended 30 September		For the nine months ended 30 September		For the year ended 31 December
	2012 (Unaudited)	2011(a)	2012 (Unaudited)	2011(a)	2011(a) (Audited)
Interest income	3,615	3,801	10,793	10,953	14,283
Interest expenses	1,743	1,960	5,169	5,525	7,176
Net interest income	1,872	1,841	5,624	5,428	7,107
Expenses in respect of credit losses	292	378	850	349	734
Net interest income, after expenses in respect of credit losses	1,580	1,463	4,774	5,079	6,373
Non-interest income					
Non-interest financing income	119	(336)	239	(166)	11
Commissions	1,050	1,005	3,092	3,109	4,116
Other income	39	6	49	29	48
Total non-interest income	1,208	675	3,380	2,972	4,175
Operating and other expenses					
Salaries and related expenses	1,434	1,241	3,976	3,865	5,061
Maintenance and depreciation of buildings and equipment	452	422	1,325	1,262	1,704
Amortization of intangible assets	4	—	15	—	2
Other expenses	404	392	1,173	1,093	1,574
Total operating and other expenses	2,294	2,055	6,489	6,220	8,341
Profit before taxes	494	83	1,665	1,831	2,207
Provision for taxes on profit	113	32	578	664	418
Profit after taxes	381	51	1,087	1,167	1,789
Share of the banking corporation in profits after tax of companies included on equity basis	108	115	132	145	148
Net profit					
Before attribution to non-controlling interests	489	166	1,219	1,312	1,937
Attributable to non-controlling interests	(10)	(11)	(29)	(39)	(46)
Attributable to shareholders of the banking corporation	479	155	1,190	1,273	1,891

Basic and diluted earnings per share

Net profit Attributable to shareholders of the banking corporation	0.33	0.11	0.81	0.86	1.28
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(a) Reclassified pursuant to initial implementation of the directives of the Supervisor of Banks on the format of the profit and loss statement of a banking corporation.

The complete quarterly report for the period ended 30 September 2012 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 2012, according to which the financial statements have been prepared, was NIS 3.912.

**Condensed Consolidated Statement of Changes in Equity
For the Periods Ended 30 September 2012 (NIS millions)
Reported amounts**

For the three months ended 30 September 2012 (Unaudited)

	Capital reserves			Accumulated other comprehensive profit (loss)							Total	Non-controlling Interests	Total capital
	Share capital	Premium	Share-based payment transaction and others (a)	Total share capital and capital reserves	Adjustments in respect of presentation of securities available for sale at fair value	Translation adjustments (b)	Reserves in respect of companies included on equity basis	Retained earnings	Loans to employees for purchase of the Bank's shares				
Balance at 30 June 2012	7,059	1,129	23	8,211	19	(50)	40	16,090	(44)	24,266	267	24,533	
Net profit for the period	—	—	—	—	—	—	—	479	—	479	10	489	
Adjustments from translation of investments in foreign currency	—	—	—	—	—	9	—	—	—	9	1	10	
Losses in respect of hedging of investments in foreign currency	—	—	—	—	—	(9)	—	—	—	(9)	—	(9)	
Tax effect relating to hedging of investments in foreign currency	—	—	—	—	—	3	—	—	—	3	—	3	
Adjustments in respect of companies included on equity basis, net	—	—	—	—	—	66	(1)	(4)	—	61	—	61	
Adjustments in respect of presentation of securities available for sale at fair value	—	—	—	—	441	—	—	—	—	441	—	441	
Profits in respect of securities available for sale that were realized and classified to profit and loss (d)	—	—	—	—	(146)	—	—	—	—	(146)	—	(146)	
Tax effect relating to adjustments of securities available for sale	—	—	—	—	(84)	—	—	—	—	(84)	—	(84)	
Changes in non-controlling interests	—	—	—	—	—	—	—	(2)	—	(2)	23	21	
Balance at the end of the period	<u>7,059</u>	<u>1,129</u>	<u>23</u>	<u>8,211</u>	<u>230</u>	<u>19</u>	<u>39</u>	<u>16,563</u>	<u>(44)</u>	<u>25,018</u>	<u>301</u>	<u>25,319</u>	

For the three months ended 30 September 2011 (Unaudited)

	Capital reserves			Accumulated other comprehensive profit (loss)							Total	Non-controlling Interests	Total capital
	Share capital	Premium	Share-based payment transaction and others (a)	Total share capital and capital reserves	Adjustments in respect of presentation of securities available for sale at fair value	Translation adjustments (b)	Reserves in respect of companies included on equity basis	Retained earnings	Loans to employees for purchase of the Bank's shares				
Balance at 30 June 2011	7,059	1,129	24	8,212	74	(132)	41	14,693	(44)	22,844	333	23,177	
Net profit for the period	—	—	—	—	—	—	—	155	—	155	11	166	
Employee benefit from share-based payment transactions	—	—	(1)	(1)	—	—	—	—	—	(1)	—	(1)	
Adjustments in respect of companies included on equity basis, net	—	—	—	—	—	76	(7)	(8)	—	61	—	61	
Adjustments in respect of presentation of securities available for sale at fair value	—	—	—	—	(653)	—	—	—	—	(653)	—	(653)	
Losses in respect of securities available for sale that were realized and classified to profit and loss (d)	—	—	—	—	160	—	—	—	—	160	—	160	
Tax effect relating to adjustment of securities available for sale	—	—	—	—	205	—	—	—	—	205	—	205	
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	(1)	(1)	
Balance at the end of the period	<u>7,059</u>	<u>1,129</u>	<u>23</u>	<u>8,211</u>	<u>(214)</u>	<u>(56)</u>	<u>34</u>	<u>14,840</u>	<u>(44)</u>	<u>22,771</u>	<u>343</u>	<u>23,114</u>	

Condensed Consolidated Statement of Changes in Equity (cont'd)
For the Periods Ended 30 September 2012 (NIS millions)

Reported amounts

For the nine months ended 30 September 2012 (Unaudited)

	Capital reserves			Accumulated other comprehensive profit (loss)							Total	Non-controlling Interests	Total capital
	Share capital	Premium	Share-based payment transaction and others (a)	Total share capital and reserves	Adjustments in respect of presentation of securities available for sale at fair value	Translation adjustments (b)	Reserves in respect of companies included on equity basis	Retained earnings	Loans to employees for purchase of the Bank's shares				
Balance at 31 December 2011 (Audited)	7,059	1,129	23	8,211	(218)	(21)	40	15,406	(44)	23,374	254	23,628	
Adjustment of opening balances in respect of initial implementation of IFRS	—	—	—	—	—	—	—	(26)	—	(26)	—	(26)	
Net profit for the period	—	—	—	—	—	—	—	1,190	—	1,190	29	1,219	
Adjustments from translation of investments in foreign currency	—	—	—	—	—	86	—	—	—	86	1	87	
Losses in respect of hedging of investments in foreign currency	—	—	—	—	—	(133)	—	—	—	(133)	—	(133)	
Tax effect relating to hedging of investments in foreign currency	—	—	—	—	—	47	—	—	—	47	—	47	
Adjustments in respect of companies included on equity basis, net	—	—	—	—	—	40	(1)	(1)	—	38	—	38	
Adjustments in respect of presentation of securities available for sale at fair value	—	—	—	—	827	—	—	—	—	827	1	828	
Profits in respect of securities available for sale that were realized and classified to profit and loss (d)	—	—	—	—	(164)	—	—	—	—	(164)	—	(164)	
Tax effect relating to adjustments of securities available for sale	—	—	—	—	(215)	—	—	—	—	(215)	—	(215)	
Dividend paid	—	—	—	—	—	—	—	—	—	—	(8)	(8)	
Changes in non-controlling interests	—	—	—	—	—	—	—	(6)	—	(6)	24	18	
Balance at the end of the period	<u>7,059</u>	<u>1,129</u>	<u>23</u>	<u>8,211</u>	<u>230</u>	<u>19</u>	<u>39</u>	<u>16,563</u>	<u>(44)</u>	<u>25,018</u>	<u>301</u>	<u>25,319</u>	

For the nine months ended 30 September 2011 (Unaudited)

	Capital reserves			Accumulated other comprehensive profit (loss)							Total	Non-controlling Interests	Total capital
	Share capital	Premium	Share-based payment transaction and others (a)	Total share capital and reserves	Adjustments in respect of presentation of securities available for sale at fair value	Translation adjustments (b)	Reserves in respect of companies included on equity basis	Retained earnings	Loans to employees for purchase of the Bank's shares				
Balance at 31 December 2010 (Audited)	7,059	1,129	10	8,198	468	(460)	25	15,063	(1)	23,293	318	23,611	
Adjustment of opening balances in respect of initial implementations of IFRS (b) (c)	—	—	—	—	—	381	—	(1,090)	—	(709)	(14)	(723)	
Net profit for the period	—	—	—	—	—	—	—	1,273	—	1,273	39	1,312	
Dividend paid	—	—	—	—	—	—	—	(400)	—	(400)	—	(400)	
Employee benefit from share-based payment transactions	—	—	13	13	—	—	—	—	—	13	—	13	
Adjustments in respect of companies included on equity basis, net	—	—	—	—	—	23	9	(6)	—	26	—	26	
Adjustments in respect of presentation of securities available for sale at fair value	—	—	—	—	(1,018)	—	—	—	—	(1,018)	—	(1,018)	
Losses in respect of securities available for sale that were realized and classified to profit and loss (d)	—	—	—	—	10	—	—	—	—	10	—	10	
Tax effect relating to adjustment of securities available for sale	—	—	—	—	326	—	—	—	—	326	—	326	
Loans to employees for purchase of the Bank's shares	—	—	—	—	—	—	—	—	(43)	(43)	—	(43)	
Balance at the end of the period	<u>7,059</u>	<u>1,129</u>	<u>23</u>	<u>8,211</u>	<u>(214)</u>	<u>(56)</u>	<u>34</u>	<u>14,840</u>	<u>(44)</u>	<u>22,771</u>	<u>343</u>	<u>23,114</u>	

Condensed Consolidated Statement of Changes in Equity (cont'd)
For the Periods Ended 30 September 2012 (NIS millions)

Reported amounts

For the year ended 31 December 2011 (Audited)

	Capital reserves			Accumulated other comprehensive profit (loss)						Total	Non-controlling interests	Total capital
	Share capital	Premium	share-based payment transaction and others (a)	Total share capital and capital reserves	Adjustments in respect of presentation of securities available for sale at fair value	Translation adjustments (b)	Reserves in respect of companies included on equity basis	Retained earnings	Loans to employees for purchase of the bank's shares			
Balance at 31 December 2010 (Audited)	7,059	1,129	10	8,198	468	(460)	25	15,063	(1)	23,293	318	23,611
Adjustment of opening balances in respect of impaired debts and IFRS (b) (c)	—	—	—	—	—	381	—	(1,090)	—	(709)	(14)	(723)
Net profit for the accounting year	—	—	—	—	—	—	—	1,891	—	1,891	46	1,937
Dividend paid	—	—	—	—	—	—	—	(400)	—	(400)	(15)	(415)
Employee benefit from share-based payment transactions	—	—	13	13	—	—	—	—	—	13	—	13
Adjustments in respect of companies included on equity basis, net	—	—	—	—	—	58	15	(11)	—	62	—	62
Adjustments in respect of presentation of securities available for sale at fair value	—	—	—	—	(982)	—	—	—	—	(982)	(2)	(984)
Profits in respect of securities available for sale that were realized and classified to profit and loss (d)	—	—	—	—	(39)	—	—	—	—	(39)	—	(39)
Tax effect relating to adjustments for securities available for sale	—	—	—	—	335	—	—	—	—	335	1	336
Loans to employees for purchase of the Bank's shares	—	—	—	—	—	—	—	—	(43)	(43)	—	(43)
Changes in non-controlling interests	—	—	—	—	—	—	—	(47)	—	(47)	(80)	(127)
Balance at 31 December 2011 (Audited)	<u>7,059</u>	<u>1,129</u>	<u>23</u>	<u>8,211</u>	<u>(218)</u>	<u>(21)</u>	<u>40</u>	<u>15,406 (e)</u>	<u>(44)</u>	<u>23,374</u>	<u>254</u>	<u>23,628</u>

(a) Including NIS 10 million of other capital reserves.

(b) Adjustments arising from translation of the financial statements of foreign subsidiaries, whose operating currency is different from the operating currency of the Bank. In 2011, translation adjustments were transferred to retained earnings pursuant to the change in reporting according to IAS21, in the amount of NIS 381 million.

(c) Including NIS 721 million in respect of the change to implementation of the Impaired Debts Directives (NIS 1,319 million gross).

(d) Including provisions for impairment.

(e) Including NIS 763 million not available for distribution as a dividend. The balance of the amount for distribution is subject to Bank of Israel directives and to the restrictions set out in the Proper Conduct of Banking Business Directives.

David Brodet
Chairman of the Board of Directors

Rakefet Russak-Aminoach
President and Chief Executive Officer

Menachem Schwartz
First Executive Vice President
Chief Accounting Officer
Head of Accounting Division

28 November 2012

