

Bank Leumi le-Israel B.M. and its Consolidated Companies

Condensed Consolidated Balance Sheet As of 31 March 2016 (NIS millions)

| | 31 March | | 31 December |
|--|----------------|----------------|----------------|
| | 2016 | 2015 | 2015 |
| | (Unaudited) | | (Audited) |
| ASSETS | | | |
| Cash and deposits with banks | 55,648 | 51,769 | 60,455 |
| Securities | 78,727 | 64,379 | 69,475 |
| Securities borrowed or purchased under agreements to resell | 1,621 | 2,197 | 1,764 |
| Credit to the public | 267,705 | 254,223 | 265,070 |
| Allowance for credit losses | (3,572) | (3,948) | (3,671) |
| Credit to the public, net | 264,133 | 250,275 | 261,399 |
| Credit to governments | 412 | 433 | 453 |
| Investments in companies included on equity basis | 899 | 896 | 924 |
| Buildings and equipment | 3,060 | (a)3,103 | 3,095 |
| Intangible assets and goodwill | 17 | 18 | 18 |
| Assets in respect of derivative instruments | 13,150 | 18,831 | 11,250 |
| Other assets | 7,890 | (a)7,418 | 7,666 |
| Total assets | 425,557 | 399,319 | 416,499 |
| LIABILITIES AND EQUITY | | | |
| Deposits of the public | 330,354 | 305,017 | 328,693 |
| Deposits from banks | 4,441 | 6,187 | 3,859 |
| Deposits from governments | 808 | 517 | 750 |
| Securities lent or sold under agreements to repurchase | 845 | 1,384 | 938 |
| Debentures, bonds and subordinated notes | 24,810 | 19,596 | 21,308 |
| Liabilities in respect of derivative instruments | 13,996 | 18,086 | 11,098 |
| Other liabilities (b) | 20,650 | (a)21,591 | 20,746 |
| Total liabilities | 395,904 | 372,378 | 387,392 |
| Non-controlling interests | 340 | 329 | 340 |
| Equity attributable to shareholders of the banking corporation | 29,313 | (a)26,612 | 28,767 |
| Total equity | 29,653 | 26,941 | 29,107 |
| Total liabilities and equity | 425,557 | 399,319 | 416,499 |

- (a) Restated pursuant to retroactive implementation of the directives of the Supervisor of Banks on capitalization of in-house software development
(b) Of which: allowance for credit losses in off-balance sheet credit instruments, NIS 47.1 million (31 March 2015 - NIS 46.5 million, 31 December 2015 - NIS 48.2 million).

Condensed Consolidated Statement of Profit and Loss For the period ended 31 March 2016 (NIS millions)

| | For the three months ended 31 March | | For the year ended 31 December |
|---|-------------------------------------|--------------|--------------------------------|
| | 2016 | 2015 | 2015 |
| | (Unaudited) | | (Audited) |
| Interest income | 1,925 | 1,502 | 8,784 |
| Interest expenses (income) | 270 | (14) | 1,666 |
| Interest income, net | 1,655 | 1,516 | 7,118 |
| Expenses (income) in respect of credit losses | (123) | 81 | 199 |
| Net interest income after expenses in respect of credit losses | 1,778 | 1,435 | 6,919 |
| Non-interest income | | | |
| Non-interest financing income | 24 | 1,319 | 1,610 |
| Commissions | 988 | 1,051 | 4,092 |
| Other income | 20 | 55 | 595 |
| Total non-interest income | 1,032 | 2,425 | 6,297 |
| Operating and other expenses | | | |
| Salaries and related expenses | 1,202 | (a)1,418 | 5,448 |
| Buildings and equipment maintenance and depreciation | 417 | (a)421 | 1,702 |
| Amortization of intangible assets | - | - | 5 |
| Other expenses | 371 | 396 | 1,681 |
| Total operating and other expenses | 1,990 | 2,235 | 8,836 |
| Profit before taxes | 820 | 1,625 | 4,380 |
| Provision for taxes on profit | 371 | (a)565 | 1,691 |
| Profit after taxes | 449 | 1,060 | 2,689 |
| Share of the banking corporation in profits (losses) of companies included on equity basis, after tax | 19 | 131 | 177 |
| Net profit | 468 | 1,191 | 2,866 |
| Before attributed to non-controlling interests | 468 | 1,191 | 2,866 |
| Attributed to non-controlling interests | (9) | (9) | (31) |
| Attributed to shareholders of the banking corporation | 459 | 1,182 | 2,835 |
| Basic and diluted earnings per share: | | | |
| Net profit attributed to shareholders of the banking corporation (in NIS) | 0.30 | 0.80 | 1.92 |

- (a) Restated pursuant to retroactive implementation of the directives of the letter of the Supervisor of Banks on capitalization of in-house software development.

Condensed Statement of Changes in Equity For the period ended 31 March 2016 (NIS millions)

| | For the three months ended 31 March 2016 (Unaudited) | | | | | | | Total | Non-controlling interests | Total capital |
|---|--|--------------|--|--|---|----------------------|--|---------------|---------------------------|---------------|
| | Share capital | Premium | Share-based payment transaction and others (a) | Total share capital and capital reserves | Accumulated other comprehensive (loss)/profit | Retained earnings(c) | Loans to employees for purchase of the bank's shares | | | |
| Balance as at 31 December 2015 (Audited) | 7,059 | 1,129 | 43 | 8,231 | (1,448) | 21,984 | - | 28,767 | 340 | 29,107 |
| Net profit for the period | - | - | - | - | - | 459 | - | 459 | 9 | 468 |
| Issuance of shares | 49 | 587 | - | 636 | - | - | - | 636 | - | 636 |
| Other comprehensive loss, net after the effect of tax | - | - | - | - | (549) | - | - | (549) | - | (549) |
| Dividend paid by consolidated companies | - | - | - | - | - | - | - | - | (9) | (9) |
| Balance as at 31 March 2016 | 7,108 | 1,716 | 43 | 8,867 | (1,997) | 22,443 | - | 29,313 | 340 | 29,653 |

| | For the three months ended 31 March 2015 (Unaudited) | | | | | | | Total | Non-controlling interests | Total capital |
|---|--|--------------|--|--|---|----------------------|--|---------------|---------------------------|---------------|
| | Share capital | Premium | Share-based payment transaction and others (a) | Total share capital and capital reserves | Accumulated other comprehensive profit (loss) | Retained earnings(c) | Loans to employees for purchase of the bank's shares | | | |
| Balance as at 31 December 2014 (Audited) | 7,059 | 1,129 | 33 | 8,221 | (1,549) | 19,168 | (42) | 25,798 | 340 | 26,138 |
| Net profit for the period (b) | - | - | - | - | - | (b)1,182 | - | 1,182 | 9 | 1,191 |
| Adjustments in respect of companies included on equity basis, net | - | - | - | - | - | (5) | - | (5) | - | (5) |
| Other comprehensive loss, net after the effect of tax | - | - | - | - | (362) | - | - | (362) | 1 | (361) |
| Changes in non-controlling interests | - | - | - | - | - | (1) | - | (1) | (21) | (22) |
| Balance as at 31 March 2015 | 7,059 | 1,129 | 33 | 8,221 | (1,911) | 20,344 | (42) | 26,612 | 329 | 26,941 |

| | For the year ended 31 December 2015 | | | | | | | Total | Non-controlling interests | Total capital |
|---|-------------------------------------|--------------|--|--|---|----------------------|--|---------------|---------------------------|---------------|
| | Share capital | Premium | Share-based payment transaction and others (a) | Total share capital and capital reserves | Accumulated other comprehensive profit (loss) | Retained earnings(c) | Loans to employees for purchase of the bank's shares | | | |
| Balance as at 31 December 2014 (Audited) | 7,059 | 1,129 | 33 | 8,221 | (1,549) | 19,168 | (42) | 25,798 | 340 | 26,138 |
| Net profit (b) | - | - | - | - | - | 2,835 | - | 2,835 | 31 | 2,866 |
| Adjustments in respect of companies included on equity basis, net | - | - | - | - | - | (19) | - | (19) | - | (19) |
| Employee benefit from share based payment transactions | - | - | 10 | 10 | - | - | - | 10 | - | 10 |
| Other comprehensive profit net after the effect of tax | - | - | - | - | 101 | - | - | 101 | - | 101 |
| Loans to Employees for purchase of the bank's shares | - | - | - | - | - | - | 42 | 42 | - | 42 |
| Dividend paid by consolidated companies | - | - | - | - | - | - | - | - | (10) | (10) |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | (21) | (21) |
| Balance as at 31 December 2015 (Audited) | 7,059 | 1,129 | 43 | 8,231 | (1,448) | 21,984 | - | 28,767 | 340 | 29,107 |

The complete report for the period ended 31 March 2016 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 2016, according to which the financial statements have been prepared, was NIS 3.766.

- (a) Including NIS 10 million of other capital reserves.
(b) Restated pursuant to retroactive implementation of the letter of the Supervisor of Banks on capitalization of in-house software development.

Condensed Consolidated Statement of Comprehensive Income For the period ended 31 March 2016 (NIS millions)

| | For the three months ended 31 March | | For the year ended 31 December |
|---|-------------------------------------|--------------|--------------------------------|
| | 2016 | 2015 | 2015 |
| | (Unaudited) | | (Audited) |
| Net profit before attribution to non-controlling interests | 468 | (d)1,191 | 2,866 |
| Less profit attributed to non-controlling interests | 9 | (d)9 | 31 |
| Net profit attributed to shareholders of the Bank | 459 | 1,182 | 2,835 |
| Other comprehensive income (loss), before taxes: | | | |
| Adjustments for showing securities available for sale at fair value, net | 156 | 549 | (423) |
| Adjustments for translation of financial statements, net (a), after the effect of tax and hedges (b) | (12) | 21 | (9) |
| Adjustments for liabilities in respect of employee benefits (c) | (872) | (1,254) | 683 |
| Share of the banking corporation in other comprehensive income (loss) of companies included on equity basis | (9) | 20 | 11 |
| Other comprehensive income, before taxes | (737) | (664) | 262 |
| Relevant tax effect | 188 | 303 | (161) |
| Other comprehensive income (loss) before attribution to non-controlling interests, after taxes | (549) | (361) | 101 |
| Less other comprehensive income (loss) attributed to non-controlling interests | - | 1 | - |
| Other comprehensive income (loss) attributed to shareholders of the banking corporation, after taxes | (549) | (362) | 101 |
| Comprehensive income before attribution to non-controlling interests | (81) | 830 | 2,967 |
| Comprehensive income (loss) attributed to non-controlling interests | 9 | 10 | 31 |
| Comprehensive income attributed to shareholders of the Bank | (90) | 820 | 2,936 |

- (a) Adjustments for translation of financial statements of foreign operations whose functional currency is different from the functional currency of the Bank.
(b) Hedges - profits (losses) net in respect of hedging a net investment in foreign currency.
(c) Reflects mainly adjustments in respect of actuarial adjustments at year end of defined benefit pension plans and amortization of amounts recorded in the past in other comprehensive income.
(d) Restated pursuant to retroactive implementation of the letter of the Supervisor of Banks on capitalization of in-house software development.



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Head of Finance Division

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President and
Chief Executive Officer

Zipporah Samet
Director

Yoav Nardi
Director

Shlomo Goldfarb
Executive Vice President
Chief Accounting Officer
Head of Accounting Division

Date of approval of the financial statements: 18 May 2016