

Bank Leumi le-Israel B.M. and subsidiaries

Condensed Consolidated Balance Sheet as at 31 December 2007 (Audited)
Reported amounts (NIS millions)

	31 December	
	2007	2006
ASSETS		
Cash and deposits with banks	42,329	47,609
Securities	47,169	46,375
Securities borrowed or purchased under agreement to resell	655	—
Credit to the public	198,557	183,800
Credit to governments	642	1,020
Investments in companies included on the equity basis	1,873	1,251
Buildings and equipment	3,276	3,056
Other assets	7,650	6,230
Total assets	<u>302,151</u>	<u>289,341</u>

	31 December	
	2007	2006
LIABILITIES AND EQUITY CAPITAL		
Deposits of the public	238,045	231,823
Deposits from banks	6,139	5,241
Deposits from governments	1,198	2,146
Securities loaned or sold under agreement to repurchase	231	—
Debentures, bonds and subordinated notes	19,248	15,622
Other liabilities	17,636	16,866
Total liabilities	<u>282,497</u>	<u>271,698</u>
Minority interest	105	152
Shareholders' equity	<u>19,549</u>	<u>17,491</u>
Total liabilities and equity capital	<u>302,151</u>	<u>289,341</u>

Condensed Consolidated Statement of Changes in Shareholders' Equity
for the year ended 31 December 2007 (Audited)
Reported amounts (NIS millions)

	Capital and capital reserves	Retained earnings (A)	Total shareholders' equity
Balance as at 1 January 2005	7,010	7,976	14,986
Net profit for the year	—	2,136	2,136
Proposed dividend	—	(1,103)	(1,103)
Adjustments in respect of presentation of securities available for sale at fair value	—	1	1
Profits in respect of securities available for sale that were realized and classified to profit and loss	—	(84)	(84)
Related tax effect	—	35	35
Adjustments from translation in respect of companies included on the equity basis	—	25	25
Loans to employees for purchase of the Bank's shares	—	4	4
Balance as at 31 December 2005	<u>7,010</u>	<u>8,990</u>	<u>16,000</u>
Net profit for the year	—	3,534	3,534
Proposed dividend	—	(2,500)	(2,500)
Benefit in respect of shares based payment transactions	395	—	395
Adjustments in respect of presentation of securities available for sale at fair value	—	906	906
Profits in respect of securities available for sale that were realized and classified to profit and loss	—	(30)	(30)
Related tax effect	—	(299)	(299)
Adjustments from translation in respect of companies included on the equity basis	—	(61)	(61)
Loans to employees for purchase of the Bank's shares	—	(454)	(454)
Balance as at 31 December 2006	<u>7,405</u>	<u>10,086</u>	<u>17,491</u>
Net profit for the year	—	3,357	3,357
Proposed dividend	—	(1,414)	(1,414)
Benefit in respect of shares based payment transactions	205	—	205
Adjustments in respect of presentation of securities available for sale at fair value	—	116	116
Profits in respect of securities available for sale that were realized and classified to profit and loss	—	(326)	(326)
Related tax effect	—	89	89
Adjustments from translation in respect of companies included on the equity basis	—	(42)	(42)
Loans to employees for purchase of the Bank's shares	—	73	73
Balance as at 31 December 2007	<u><u>7,610</u></u>	<u><u>11,939</u></u>	<u><u>19,549</u></u>

(A) 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 (445) million (31 December 2006 - NIS (403) million, 31 December 2005 - NIS (342) million).
2. Adjustments in respect of presentation of securities available for sale at fair value in a net amount of NIS 502 million (31 December 2006 - 623 million, 31 December 2005 - NIS 46 million).
3. Including NIS 987 million which can not be distributed as a dividend (31 December 2006 - NIS 1,044 million, 31 December 2005 - NIS 633 million). The remaining amount that can be distributed is subject to Bank of Israel's instructions and limitations detailed in the Bank of Israel's Proper Banking Management Directives.

Condensed Consolidated Statement of Profit and Loss
for the year ended 31 December 2007 (Audited)
Reported amounts (NIS millions)

	For the year ended 31 December		
	2007	2006	2005
Net interest income before provision for doubtful debts	7,648	6,922	6,629
Provision for doubtful debts	407	933	1,426
Net interest income after provision for doubtful debts	7,241	5,989	5,203
Operating and other income	4,222	3,881(A)	3,727(A)
Operating and other expenses	6,937	7,267(A)	6,080(A)
Operating profit before taxes	4,526	2,603	2,850
Provision for taxes on operating profit	1,722	1,320	1,193
Operating profit after taxes	2,804	1,283	1,657
Equity in after-tax operating profits of companies included on the equity basis, net of related tax effect	184	171	378
Minority interest in after-tax operating losses (profits) of subsidiaries	(4)	—	24
Net operating profit	2,984	1,454	2,059
After-tax profit from extraordinary items	373	2,080	77
Net profit	3,357	3,534	2,136

Basic earnings per share

	(NIS)		
Net operating profit	2.11	1.03	1.46
After-tax profit from extraordinary items	0.26	1.47	0.05
Total	2.37	2.50	1.51

Diluted earnings per share

	(NIS)		
Net operating profit	2.08	1.03	1.46
After-tax profit from extraordinary items	0.26	1.47	0.05
Total	2.34	2.50	1.51

	(Thousands)		
Number of shares for the basic earnings computation	1,414,233	1,414,233	1,414,233
Number of shares for the diluted earnings computation	1,433,803	1,414,233	1,414,233

(A) Reclassified.

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 2007, according to which the financial statements have been prepared, was NIS 3.846.

Eitan Raff
Chairman of the Board
of Directors

Meir Dayan
Director

Prof. Israel Gilead
Director

Galia Maor
President and
Chief Executive Officer

Zeev Nahari
Senior Deputy Chief
Executive Officer
Head of Finance and
Economics Division

30 March 2008

