

Bank Leumi le-Israel B.M. and subsidiaries

Condensed Consolidated Balance Sheet as at 31 December 2008 (Audited)
Reported amounts (NIS millions)

ASSETS	31 December	
	2008	2007
Cash and deposits with banks	33,130	42,329
Securities	44,910	47,169
Securities borrowed or purchased under agreement to resell	201	655
Credit to the public	213,215	198,557
Credit to governments	520	642
Investments in companies included on the equity basis	1,842	1,873
Buildings and equipment	3,445	3,276
Other assets	13,529	7,650
Total assets	<u>310,792</u>	<u>302,151</u>

LIABILITIES AND EQUITY CAPITAL	31 December	
	2008	2007
Deposits of the public	244,783	238,045
Deposits from banks	3,742	6,139
Deposits from governments	831	1,198
Securities loaned or sold under agreement to repurchase	549	231
Debentures, bonds and subordinated notes	20,636	19,248
Other liabilities	21,334	17,636
Total liabilities	<u>291,875</u>	<u>282,497</u>
Minority interest	245	105
Shareholders' equity	<u>18,672</u>	<u>19,549</u>
Total liabilities and equity capital	<u>310,792</u>	<u>302,151</u>

Condensed Consolidated Statement of Changes in Shareholders' Equity for the year ended 31 December 2008 (Audited)
Reported amounts (NIS millions)

	For the Year Ended 31 December 2008 (Audited)									
	Other comprehensive income									
	Share capital	Premium	Capital reserves in respect of 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)	Retained earnings	Dividend declared after balance sheet date	Loans to employees for purchase of the bank's shares	Total Shareholders' equity
Balance as at 1 January 2006	7,000	—	10	7,010	46	(342)	9,309 (c)	—	(23)	16,000
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	—	—	—	—	—	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/or charged to profit and loss (d)	—	—	—	—	(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>7,000</u>	<u>—</u>	<u>405</u>	<u>7,405</u>	<u>623</u>	<u>(403)</u>	<u>10,343 (c)</u>	<u>—</u>	<u>(477)</u>	<u>17,491</u>
Net profit for the year	—	—	—	—	—	—	3,357	—	—	3,357
Proposed dividend	—	—	—	—	—	—	(1,414)	—	—	(1,414)
Dividend declared after balance sheet date	—	—	—	—	—	—	(270)	270	—	—
Benefit in respect of shares based payment transactions	—	—	205	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/or charged to profit and loss (d)	—	—	—	—	(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>7,000</u>	<u>—</u>	<u>610</u>	<u>7,610</u>	<u>502</u>	<u>(445)</u>	<u>12,016 (c)</u>	<u>270</u>	<u>(404)</u>	<u>19,549</u>
Net profit for the year	—	—	—	—	—	—	92	—	—	92
Issue of shares	59	855	(300)	614	—	—	—	—	—	614
Dividend paid	—	—	—	—	—	—	—	(270)	—	(270)
Benefit in respect of shares based payment transactions	—	—	(26)	(26)	—	—	—	—	—	(26)
Other comprehensive income in companies included on the equity basis which was directly recorded to retained earnings	—	—	—	—	—	—	(110)	—	—	(110)
Adjustments in respect of presentation of securities available for sale at fair value	—	—	—	—	(3,636)	—	—	—	—	(3,636)
Losses in respect of securities available for sale that were realized and/or charged to profit and loss (d)	—	—	—	—	1,852	—	—	—	—	1,852
Related tax effect	—	—	—	—	634	—	—	—	—	634
Adjustments from translation in respect of companies included on the equity basis	—	—	—	—	—	(57)	—	—	—	(57)
Loans to employees for purchase of the Bank's shares	—	—	—	—	—	—	—	—	30	30
Balance as at 31 December 2008	<u>7,059</u>	<u>855</u>	<u>284</u>	<u>8,198</u>	<u>(648)</u>	<u>(502)</u>	<u>11,998 (c)</u>	<u>—</u>	<u>(374)</u>	<u>18,672</u>

**Condensed Consolidated Statement of Profit and Loss
for the year ended 31 December 2008 (Audited)
Reported amounts (NIS millions)**

	For the year ended 31 December		
	2008	2007	2006
Net interest income before provision for doubtful debts	6,380	7,648	6,922
Provision for doubtful debts	2,145	407	933
Net interest income after provision for doubtful debts	4,235	7,241	5,989
Operating and other income	2,800	4,222	3,881
Operating and other expenses	7,003	6,937	7,267
Operating profit before taxes	32	4,526	2,603
Provision for taxes on operating profit	421	1,722	1,320
Operating profit (loss) after taxes	(389)	2,804	1,283
Equity in after-tax operating profits of companies included on the equity basis, net of related tax effect	249	184	171
Minority interest in after-tax operating profits of subsidiaries	(18)	(4)	—
Net operating profit (loss)	(158)	2,984	1,454
After-tax profit from extraordinary items	250	373	2,080
Net profit	92	3,357	3,534

Basic earnings per share

	(NIS)		
Net operating profit (loss)	(0.11)	2.11	1.03
After-tax profit from extraordinary items	0.17	0.26	1.47
Total	0.06	2.37	2.50

Diluted earnings per share

	(NIS)		
Net operating profit (loss)	(0.11)	2.08	1.03
After-tax profit from extraordinary items	0.17	0.26	1.47
Total	0.06	2.34	2.50

	(Thousands)		
Weighted average of number of shares for the basic earnings computation	1,462,252	1,414,233	1,414,233
Weighted average of number of shares for the diluted earnings computation	1,470,961	1,433,803	1,414,233

The complete annual report for the period ended 31 December 2008 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 December 2008, according to which the financial statements have been prepared, was NIS 3.802.

- (a) Including NIS 10 million of other capital reserves.
 (b) Adjustments arising from translation of the financial statements of autonomous foreign subsidiaries.
 (c) Including NIS 1,638 million which can not be distributed as a dividend (31 December 2007 - NIS 987 million, 31 December 2006 - NIS 1,044 million).
 (d) Including provisions for decrease in value.

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
Chief Financial Officer,
Head of Finance, Accounting
and Capital Market

30 March 2009

