

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

Condensed Consolidated Balance Sheet as at 31 December 2013 (NIS millions)

ASSETS	31 December	
	2013	2012
Cash and deposits with banks	44,351	54,621
Securities	63,735	56,408
Securities borrowed or purchased under agreements to resell	1,360	1,435
Credit to the public	244,757	245,378
Allowance for credit losses	(3,883)	(4,114)
Credit to the public, net	240,874	241,264
Credit to governments	558	442
Investments in companies included on equity basis	1,689	2,129
Buildings and equipment	3,638	3,705
Intangible assets and goodwill	99	189
Assets in respect of derivative instruments	13,054	11,438
Other assets	5,002	4,529
Total assets	374,360	376,160

LIABILITIES AND EQUITY	31 December	
	2013	2012
Deposits of the public	286,003	289,538
Deposits from banks	4,310	4,073
Deposits from governments	397	451
Securities lent or sold under agreements to repurchase	624	1,007
Debentures, bonds and subordinated notes	25,441	27,525
Liabilities in respect of derivative instruments	13,487	12,762
Other liabilities	17,333	15,576
Total liabilities	347,595	350,932
Non-controlling interests	340	307
Equity attributable to shareholders of the banking corporation	26,425	24,921
Total equity	26,765	25,228
Total liabilities and equity	374,360	376,160

Condensed Consolidated Statement of Changes in Shareholders' Equity for the year ended 31 December 2013 (NIS millions)

	Capital reserves			Total share capital and capital reserves	Accumulated other comprehensive profit (loss)	Retained earnings (5)	Loans to employees for purchase of the bank's shares	Total	Non-controlling interests	Total capital
	Share capital	Premium	Share-based payment transaction and others (1)							
Balance as at 1 January 2011	7,059	1,129	10	8,198	33	15,063	(1)	23,293	318	23,611
Adjustment of opening balances in respect of first time implementation of impaired debts and IFRS (2) (3)	-	-	-	-	-	(1,090)	-	(1,090)	(14)	(1,104)
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	-	-	-	-	-	(11)	-	(11)	-	(11)
Other comprehensive loss, net after the effect of tax (4)	-	-	-	-	(232)	-	-	(232)	(1)	(233)
Changes in non-controlling interests	-	-	-	-	-	(47)	-	(47)	(80)	(127)
Loans to employees for purchase of the Bank's shares	-	-	-	-	-	-	(43)	(43)	-	(43)
Balance as at 31 December 2011	7,059	1,129	23	8,211	(199)	15,406	(44)	23,374	254	23,628
Adjustments of opening balances in respect of first time implementation of IFRS (2)	-	-	-	-	-	(26)	-	(26)	-	(26)
Net profit for the period	-	-	-	-	-	931	-	931	37	968
Dividend paid by consolidated companies	-	-	-	-	-	-	-	-	(8)	(8)
Adjustment in respect of companies included on equity basis, net	-	-	-	-	-	(9)	-	(9)	-	(9)
Other comprehensive profit, net after the effect of tax (4)	-	-	-	-	657	-	-	657	-	657
Changes in non-controlling interests	-	-	-	-	-	(6)	-	(6)	24	18
Balance as at 31 December 2012	7,059	1,129	23	8,211	458	16,296	(44)	24,921	307	25,228
Net profit for the period	-	-	-	-	-	1947	-	1,947	42	1,989
Dividend paid by consolidated companies	-	-	-	-	-	-	-	-	(6)	(6)
Adjustments in respect of companies included on equity basis, net	-	-	-	-	-	24	-	24	-	24
Employee benefit from share based payment transactions	-	-	10	10	-	-	-	10	-	10
Other comprehensive loss, net after the effect of tax (4)	-	-	-	-	(489)	-	-	(489)	(3)	(492)
Changes in non-controlling interests	-	-	-	-	-	11	-	11	-	11
Loans to Employees for purchase of the bank's shares	-	-	-	-	-	-	1	1	-	1
Balance as at 31 December 2013	7,059	1,129	33	8,221	(31)	18,278	(43)	26,425	340	26,765

Condensed Consolidated Statement of Profit and Loss
for the year ended 31 December 2013
(NIS millions)

	For the year ended 31 December		
	2013	2012	2011
Interest income	12,134	13,507	14,283
Interest expenses	4,777	6,099	7,176
Interest income, net	7,357	7,408	7,107
Expenses in respect of credit losses	268	1,236	734
Net interest income after expenses in respect of credit losses	7,089	6,172	6,373
Non-interest income			
Non-interest financing income	1,127	444	11
Commissions	4,188	4,199	4,116
Other income	202	131	48
Total non-interest income	5,517	4,774	4,175
Operating and other expenses			
Salaries and related expenses	5,174	5,290	5,061
Buildings and equipment maintenance and depreciation	1,833	1,819	1,704
Amortization of intangible assets	88	23	2
Other expenses	1,838	1,968	1,574
Total operating and other expenses	8,933	9,100	8,341
Profit before taxes	3,673	1,846	2,207
Provision for taxes on profit	1,391	811	418
Profit after taxes	2,282	1,035	1,789
Share of the banking corporation in profits of companies included on equity basis, after tax	(293)	(67)	148
Net profit attributing			
Before attributed to non-controlling interests	1,989	968	1,937
Attributed to non-controlling interests	(42)	(37)	(46)
Attributed to shareholders of the banking corporation	1,947	931	1,891
Earnings per Share			
Basic and diluted earnings per share		(NIS)	
Net profit attributed to shareholders of the banking corporation (in NIS)	1.32	0.63	1.28
		(Thousands)	
Weighted average of the number of shares for calculation of basic and diluted earnings	1,473,551	1,473,551	1,473,551

The complete annual report for the period ended 31 December 2013 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 2013, according to which the financial statements have been prepared, was NIS 3.47 1

- (1) Including NIS 10 million other capital reserves.
- (2) In 2012 in respect of implementation of IAS 12, an amount of NIS 42 million; in 2011, adjustments from translation of financial statements of investee companies overseas whose functional currency differs from the functional currency of the Bank were transferred to accumulated retained earnings following the change to reporting under IAS 21 in the amount of NIS 38.1 million.
- (3) Including NIS 72.1 million in respect of the change to implementation of the Impaired Debts Directives (NIS 1,319 million gross).
- (4) On 1 January 2013, the Bank implemented for the first time the directives of the Supervisor of Banks on the statement of comprehensive income. Comparative figures were reclassified to adapt to the new manner of presentation.
- (5) Including NIS 47.1 million not available for distribution as a dividend (31 December 2012 – NIS 208 million, 31 December 2011 – NIS 379 million).
The balance of the amount for allocation is subject to Bank of Israel directives and the limitations set out in Proper Conduct of Banking Business Directives.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2013

	(NIS millions)		
	2013	2012 (1)	2011 (1)
Net profit before attribution to non-controlling interests	1,989	968	1,937
Less net profit attributed to non-controlling interests	42	37	46
Net profit attributed to shareholders of the Bank	1,947	931	1,891
Other comprehensive income (loss), before taxes:			
Adjustments for showing securities available for sale at fair value, net	(518)	1,067	(1,023)
Adjustments for translation of financial statements, net (2), after the effect of tax and hedges (3)	(115)	(55)	381
Share of the banking corporation in other comprehensive loss of companies included on equity basis	11	-	73
Other comprehensive income (loss), before taxes:	(622)	1,012	(569)
Relevant tax effect	130	(355)	336
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	(492)	657	(233)
Less other comprehensive income (loss) attributed to non-controlling interests	(3)	-	(1)
Other comprehensive income (loss) attributed to shareholders of the banking corporation, after taxes	(489)	657	(232)
Comprehensive income before attribution to non-controlling interests	1,497	1,625	1,704
Comprehensive income attributed to non-controlling interests	39	37	45
Comprehensive income attributed to shareholders of the Bank	<u>1,458</u>	<u>1,588</u>	<u>1,659</u>

- (1) On 1 January 2013, the Bank adopted for the first time the directives of the Supervisor of Banks on the statement of comprehensive income. Adoption of the directive was made on a retroactive basis.
(2) Adjustments for translation of financial statements of foreign operations whose functional currency differs from the functional currency of the Bank.
(3) Hedges – profits (losses) net in respect of hedging a net investment in foreign currency.

Rakefet Russak-Aminoach
President and Chief Executive Officer

Ron Fainaro
Executive Vice President
Head of Economics and
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Shlomo Goldfarb
Executive Vice President
Chief Accounting Officer
Head of Accounting Division

David Brodet
Chairman of the Board of Directors

Prof. Efraim Sadka
Director

Zipporah Samet
Director

30 March 2014

