

Bank Leumi le-Israel B.M. and subsidiaries

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

Reported amounts

	30.6.2012	30.6.2011	31.12.2011
	(Unaudited)	(Unaudited)	(Audited)
ASSETS			
Cash and deposits with banks	39,166	45,566	53,044
Securities	60,348	40,146	47,936
Securities borrowed or purchased under agreements to resell	2,165	1,330	1,225
Credit to the public	245,287	232,670	245,287
Allowance for credit losses	(3,860)	(4,322)	(3,967)
Credit to the public, net	241,427	228,348	241,320
Credit to governments	412	352	448
Investments in companies included on equity basis	2,129	2,159	2,270
Buildings and equipment	3,753	3,627	3,653
Intangible assets and goodwill	172	45	181
Assets in respect of derivative instruments	12,259	7,764	11,573
Other assets	4,251	3,719	4,204
Total assets	366,082	333,056	365,854
	30.6.2012	30.6.2011	31.12.2011
	(Unaudited)	(Unaudited)	(Audited)
LIABILITIES AND EQUITY			
Deposits of the public	280,434	252,704	279,404
Deposits from banks	3,981	5,362	5,056
Deposits from governments	462	443	519
Securities lent or sold under agreements to repurchase	1,287	791	442
Debentures, bonds and subordinated notes	28,223	27,034	29,999
Liabilities in respect of derivative instruments	12,575	9,447	12,069
Other liabilities	14,587	14,098	14,737
Total liabilities	341,549	309,879	342,226
Non-controlling interest	267	333	254
Equity attributable to shareholders of the banking corporation	24,266	22,844	23,374
Total equity	24,533	23,177	23,628
Total liabilities and equity	366,082	333,056	365,854

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

Reported amounts

	For the three months ended 30 June		For the six months ended 30 June		For the year ended 31 December
	2012	2011(a)	2012	2011(a)	2011(a)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Interest income	3,914	3,985	7,178	7,152	14,283
Interest expenses	1,990	2,209	3,426	3,565	7,176
Net interest income	1,924	1,776	3,752	3,587	7,107
Expenses (income) in respect of credit losses	333	73	558	(29)	734
Net interest income, after expenses in respect of credit losses	1,591	1,703	3,194	3,616	6,373
Non-interest income					
Non-interest financing income	(25)	116	120	170	11
Commissions	1,022	1,018	2,042	2,104	4,116
Other income	(2)	12	10	23	48
Total non-interest income	995	1,146	2,172	2,297	4,175
Operating and other expenses					
Salaries and related expenses	1,356	1,273	2,542	2,624	5,061
Maintenance and depreciation of building and equipment	446	432	873	840	1,704
Amortization of intangible assets	5	—	11	—	2
Other expenses	393	374	769	701	1,574
Total operating and other expenses	2,200	2,079	4,195	4,165	8,341
Profit before taxes	386	770	1,171	1,748	2,207
Provision for taxes on profit	159	260	465	632	418
Profit after taxes	227	510	706	1,116	1,789
Share of the banking corporation in profits after tax of companies included on equity basis	63	72	24	30	148
Net profit					
Before attribution to non-controlling interest	290	582	730	1,146	1,937
Attributable to non-controlling interest	(10)	(18)	(19)	(28)	(46)
Attributable to shareholders of the banking corporation	280	564	711	1,118	1,891

Basic and diluted earnings per share

	(NIS)				
Net profit Attributable to shareholders of the banking corporation	0.19	0.38	0.48	0.76	1.28

(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 June 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 June 2012, according to which the financial statements have been prepared, was NIS 3.923.

Condensed Consolidated Statement of Changes in Shareholders' Equity
For the Periods Ended 30 June 2012 (NIS millions)

Reported amounts

For the three months ended 30 June 2012 (Unaudited)

	Capital reserves			Accumulated other comprehensive profit (loss)							Non-controlling Interest	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	Total		
Balance at 31 March 2012	7,059	1,129	23	8,211	172	(72)	40	15,811	(44)	24,118	257	24,375
Net profit for the period	—	—	—	—	—	—	—	280	—	280	10	290
Adjustments from translation of investments in foreign currency	—	—	—	—	—	138	—	—	—	138	—	138
Losses in respect of hedging of investments in foreign currency	—	—	—	—	—	(139)	—	—	—	(139)	—	(139)
Tax effect relating to hedging of investments in foreign currency	—	—	—	—	—	49	—	—	—	49	—	49
Adjustments in respect of companies included on equity basis, net	—	—	—	—	—	(26)	—	3	—	(23)	—	(23)
Adjustments in respect of presentation of securities available for sale at fair value	—	—	—	—	(217)	—	—	—	—	(217)	—	(217)
Profits in respect of securities available for sale that were realized and classified to profit and loss (d)	—	—	—	—	(3)	—	—	—	—	(3)	—	(3)
Tax effect relating to adjustments of securities available for sale	—	—	—	—	67	—	—	—	—	67	—	67
Changes in non-controlling interests	—	—	—	—	—	—	—	(4)	—	(4)	—	(4)
Balance at the end of the period	<u>7,059</u>	<u>1,129</u>	<u>23</u>	<u>8,211</u>	<u>19</u>	<u>(50)</u>	<u>40</u>	<u>16,090</u>	<u>(44)</u>	<u>24,266</u>	<u>267</u>	<u>24,533</u>

For the three months ended 30 June 2011 (Unaudited)

	Capital reserves			Accumulated other comprehensive profit (loss)							Non-controlling Interest	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	Total		
Balance at 31 March 2011	7,059	1,129	10	8,198	252	(132)	41	14,129	(1)	22,487	314	22,801
Net profit for the period	—	—	—	—	—	—	—	564	—	564	18	582
Employee benefit from share-based payment transactions	—	—	14	14	—	—	—	—	—	14	—	14
Adjustments in respect of presentation of securities available for sale at fair value	—	—	—	—	(125)	—	—	—	—	(125)	—	(125)
Profits in respect of securities available for sale that were realized and classified to profit and loss (d)	—	—	—	—	(66)	—	—	—	—	(66)	—	(66)
Tax effect relating to adjustment of securities available for sale	—	—	—	—	13	—	—	—	—	13	—	13
Loans to employees for purchase of the Bank's shares	—	—	—	—	—	—	—	—	(43)	(43)	—	(43)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	1	1
Balance at the end of the period	<u>7,059</u>	<u>1,129</u>	<u>24</u>	<u>8,212</u>	<u>74</u>	<u>(132)</u>	<u>41</u>	<u>14,693</u>	<u>(44)</u>	<u>22,844</u>	<u>333</u>	<u>23,177</u>

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

For the six months ended 30 June 2012 (Unaudited)

	Capital reserves			Accumulated other comprehensive profit (loss)									
	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	Total	Non-controlling Interest	Total capital	
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	—	—	—	—	—	—	—	711	—	711	19	730	
Adjustments from translation of investments in foreign currency	—	—	—	—	—	77	—	—	—	77	—	77	
Losses in respect of hedging of investments in foreign currency	—	—	—	—	—	(124)	—	—	—	(124)	—	(124)	
Tax effect relating to hedging of investments in foreign currency	—	—	—	—	—	44	—	—	—	44	—	44	
Adjustments in respect of companies included on equity basis, net	—	—	—	—	—	(26)	—	3	—	(23)	—	(23)	
Adjustments in respect of presentation of securities available for sale at fair value	—	—	—	—	386	—	—	—	—	386	—	386	
Profits in respect of securities available for sale that were realized and classified to profit and loss (d)	—	—	—	—	(18)	—	—	—	—	(18)	—	(18)	
Tax effect relating to adjustments of securities available for sale	—	—	—	—	(131)	—	—	—	—	(131)	1	(130)	
Dividend paid	—	—	—	—	—	—	—	—	—	—	(8)	(8)	
Changes in non-controlling interests	—	—	—	—	—	—	—	(4)	—	(4)	1	(3)	
Balance at the end of the period	7,059	1,129	23	8,211	19	(50)	40	16,090	(44)	24,266	267	24,533	

For the Six Months Ended 30 June 2011 (Unaudited)

	For the Six Months Ended 30 June 2011 (Unaudited)											
	Capital reserves				Accumulated other comprehensive profit (loss)							
	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	Total	Non-controlling Interest	Total capital
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	—	—	—	—	—	—	—	1,118	—	1,118	28	1,146
Dividend paid	—	—	—	—	—	—	—	(400)	—	(400)	—	(400)
Employee benefit from share-based payment transactions	—	—	14	14	—	—	—	—	—	14	—	14
Adjustments in respect of companies included on equity basis, net	—	—	—	—	—	(53)	16	2	—	(35)	—	(35)
Adjustments in respect of presentation of securities available for sale at fair value	—	—	—	—	(365)	—	—	—	—	(365)	—	(365)
Profits in respect of securities available for sale that were realized and classified to profit and loss (d)	—	—	—	—	(150)	—	—	—	—	(150)	—	(150)
Tax effect relating to adjustment of securities available for sale	—	—	—	—	121	—	—	—	—	121	—	121
Loans to employees for purchase of the Bank's shares	—	—	—	—	—	—	—	—	(43)	(43)	—	(43)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	—	—	1	1
Balance at the end of the period	7,059	1,129	24	8,212	74	(132)	41	14,693	(44)	22,844	333	23,177

Condensed Consolidated Statement of Changes in Shareholders' Equity (cont'd)
For the Periods Ended 30 June 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</u> (e)	<u>(44)</u>	<u>23,374</u>	<u>254</u>	<u>23,628</u>

(a) Including NIS10 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

29 August 2012

