

**Bank Leumi le-Israel
(Switzerland)**

Head Office:
Zurich, Claridenstrasse 34

Branch
Geneva, 80, rue du Rhône

Annual Report 2004
to be presented by the
Board of Directors to the
Annual General Meeting
of Shareholders of
Bank Leumi le-Israel (Switzerland)
on April 19, 2005

Board of Directors	Mrs. Galia Maor, Chairperson	Tel Aviv
	Dr. Michael Kohn*, Deputy Chairman	Zurich
	Dr. Rolf Bloch*	Muri bei Bern
	Mr. Dov Gilboa**	Tel Aviv
	Dr. Michel Haymann*	Zurich
	Mr. Zvi Itskovitch	Tel Aviv
	Dr. Rolf Kormann**	Ebmatingen ZH
	Dr. Alain B. Lévy**	Geneva
	Dr. Richard T. Meier*	Cham
	Mr. Ehud Moverman	Tel Aviv
Sir Bernard Schreier	Watford (U.K.)	

*) Members of the Executive Committee

**) Members of the Audit Committee

Internal Audit	Michael Hungerbühler	Head of Internal Audit
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General Management	Shouky Oren	
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Management and Members of Management Committee	Roland Wyss	Manager
	Ofer Chaimi	Manager
	David Miller	Deputy Manager
	Marcos Wolman	Deputy Manager
	Ron Baron	Deputy Manager

Geneva Branch	Paul Hazan	Manager
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Auditors	PricewaterhouseCoopers AG	Zurich
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Financial year 2004 US and World Economy

Global economic growth achieved one of its strongest gains in recent decades, led by continued expansion in the United States. However, this upturn lost its momentum in the middle of the year as consumer spending in the **United States** failed to maintain its fast rhythm, which had been artificially stimulated by an aggressive fiscal policy ahead of the presidential elections. A slowdown in the recruitment of staff led to rather modest increases in salaries and could not entirely offset the waning benefits on the fiscal side. Surging prices for commodities, especially energy, represented another challenge. Surprisingly, the continued accommodative monetary policy led by the Federal Reserve was ineffectual in raising business confidence. Companies pursued an unusually hesitant policy in their capital spending and recruitment programmes despite the economic expansion. Manufacturing activity, nevertheless, grew solidly, driven by generally low inventory levels and steadily rising capital spending. In total, at 4.4 % the US showed one of the strongest growth rates among industrial countries.

Particularly surprising was the unabated power of the **Chinese** economy. Despite stringent monetary measures that led to a sharp fall in credit growth, GDP still grew at a rate of 9.5 %, exceeding the already accelerated pace of 9.3 % reported in 2003. The increased integration of China into the global economy and the unprecedented way this influenced markets worldwide meant that China was one of the top economies to watch.

After three years of weak growth, the **Euro zone** economies were finally revitalised at the beginning of 2004. However, as the rebound was largely export-led and weak labour markets failed to stimulate domestic demand, the region plunged quickly back into a state of lethargy. The extraordinary appreciation of the Euro observed during the latter part of the year coupled with stubbornly elevated energy prices, endangering economic growth worldwide, aggravated the situation. The most important reasons for the modest and belated economic rebound in the Euro were structural and political deficiencies, which hampered capital spending and led to a lack of competition.

During 2004, the Swiss economy was also mainly export-

driven. The rebound initially led to an increase in capital spending and private consumption. Yet increasingly sluggish conditions in its most important export markets limited the potential for further growth. Little support was given by a lacklustre labour market, therefore hampering improvement in consumer spending. Interest-sensitive sectors were also particularly affected when the Swiss National Bank started to tighten its monetary policy by raising interest rates from 0.5 % to 0.75 %.

In the **UK**, the Bank of England raised its benchmark interest rate five times over the year to 4.75 %, mainly to avert a five-year housing boom. An unwelcome side effect was the slowdown of the already fragile manufacturing sector. Consumer spending also cooled down, albeit from an elevated level that was additionally boosted by a record-low unemployment rate of 2.7 %. GDP in 2004 grew by 3.1 %.

The **Japanese** economy failed to live up to relatively high expectations, as the appreciation of the yen undermined exports and elevated energy prices had an adverse impact on domestic demand.

Key economic figures 2004 in major economies

Countries	Real GDP growth	CPI	Unemployment	Central Bank Rate
US	4.4 %	3.3 %	5.4 %	2.25 %
UK	2.8 %	1.6 %	2.7 %	4.75 %
Euro Zone	1.8 %	2.4 %	8.9 %	2.0 %
Germany	1.7 %	2.2 %	10.8 %	2.0 %
France	1.9 %	2.1 %	9.9 %	2.0 %
Switzerland	2.0 %	1.3 %	3.8 %	0.75 %
Japan	2.8 %	0.2 %	4.4 %	0.1 %

Financial Markets

Higher bond yields, flatter curves and moderately tighter credit spreads were all anticipated at the beginning of 2004. These assumptions were based on solid global economic growth, interest rate hikes by the Federal Reserve and higher inflation. Indeed, the global economy expanded at an above average level and the Federal Reserve raised rates from 1 % to 2.25 %. A major factor contributing to these increases was however, an unwinding of an unduly accommodative monetary policy adapted in the 'deflation fear' period of 2003. Significantly higher commodity prices, notably in energy and steel, fuelled inflation fear. Nevertheless, at the core level, underlying price trends were largely stable, both in the Euro zone area as well as in the US. The US yield curve flattened as expected, but yields increased mainly in the short term. Longer yields rose by much less or

even fell slightly from their level at the start of the year. Importantly, bonds did not under-perform cash investments, and a short duration strategy, thus, did not work. In 2004, the 3M-US Libor rose significantly from 1.20 % to 2.60 %, while the Euribor 3M rose only slightly from 2.10 % to 2.20 %.

Strong economic growth and generally low interest rates represented a healthy growth environment for stocks. Corporate profits rose much more than anticipated at the beginning of the year, by over 23.8 % on a global basis. Global/Worldwide equities rose by nearly 10 % following a 24 % jump in 2003. Because the stock markets rose to a lesser degree than corporate profits, the price/earnings ratio declined substantially, by around 20 %. In local terms, Euro zone stock markets rose 13 %, thereby slightly out-performing the US and Japan, which both rose at a rate of 11 %. The Euro zone out-performance can be explained by more vigorous profit growth, mainly due to a higher level of restructuring activity and the slower than expected economic recovery.

In contrast, single European stock markets showed a greater disparity in performance: while Spain, Italy and Sweden ranged between 20 and 27 % in local terms, Germany and the Netherlands only grew between 6 and 7 %. The performance also strongly varied among different sectors: while the energy and utility sector showed impressive results, pharmaceutical and technology stocks were generally disappointing.

The broad-based USD weakness, particularly after the presidential election in the United States, was the dominant theme in the foreign exchange markets. The large and growing US current account deficit raised the fear of capital repatriation from the US to Asia as US Treasuries became key instruments in the portfolios of Asian central banks. A general propensity to more broadly diversify its foreign currency holdings also had a negative impact on the US currency.

Switzerland

The tightening of monetary policy by the Swiss National Bank led to higher interest rates in the short term. Bonds for the longer term, however, were strongly in demand. The 10-year bond closed the year with a yield of 2.28 % (2003: 2.70 %), therefore resulting in a flattening of the yield curve. The dominant theme in foreign exchange markets was the weakening of the USD, which lost 9 %, compared with the CHF, and reached a level of 1.13. The Euro, however, was virtually unchanged versus the Swiss currency, ending the year at a rate of 1.5456 compared with 1.5607 at the start of 2004. The Swiss stock market showed one of the slowest performances among industrial countries, rising just

6 % in local terms. This can be attributed to both a high valuation and poor performance of large capitalization stocks, which represent 85 % of the Swiss stock market.

Highlights of the Bank's activity

Bank Leumi le-Israel (Switzerland) (the "Bank") was founded in 1953, and operates through a head office in Zurich and a branch in Geneva. It also has representative offices in Israel and Hungary.

The Bank is part of the Leumi Group, which is one of the two largest Israeli banks with worldwide operations and overall assets in excess of 80 billion USD.

The Bank mainly engages in private banking services to international clients, including the receipt of discretionary securities investment management mandates. In addition, it has a wholly owned subsidiary that manages two mutual funds.

In 2004, the bank focused on marketing and business development activities in its key markets with the aim of strengthening its presence in these markets and enhancing its reputation as an innovative, performance driven and reliable Private Banking institution.

Following the cooperation between the Leumi Group, the Bank and SEI Investments in introducing the new portfolio of Leumi Global Managers' funds, the Bank liquidated the Equity and Bond sub-funds, which had been managed by its fully owned subsidiary Leumi Fund Holding – Luxembourg. SEI Investments is a US based leading global provider of asset management and investment technology solutions. It administers \$ 254 billion in mutual fund and pooled assets, manages almost \$ 90 billion in assets, and operates 22 offices in 10 countries.

Leumi Fund Holding continues to manage liquidity sub funds in USD and Euro. Leumi Global Manager's funds are a new range of funds that provide clients with access to leading investment managers from around the world.

Last year, the management continued to strengthen internal controls and implemented additional compliance and monitoring measures. The Bank continued with the development and implementation of a new IT system, which is expected to be completed in 2005. This will result in a significant upgrade in the level of services provided by the Bank.

Consolidated Financial results

The consolidated financial results include Leumi Fund Holding – Luxembourg, which is engaged in fund management, and Leumi Asset Management – Zurich, which is

engaged in advisory investment services: both are fully owned subsidiaries of the Bank.

Gross profit decreased slightly to CHF 21.4 million (2003: CHF 21.6 million). Net profit after taxes and extraordinary items rose to CHF 12.0 million (2003: CHF 7.3 million).

Total earnings were affected by the further deterioration of the USD due to the fact that approximately 60 % of the Bank's client assets are in USD.

For the year under review, total income rose to CHF 62.6 million (2003: CHF 60.1 million).

As a result of the continued erosion of interest levels on the CHF, Euro and USD, the consolidated net interest income remained the same at CHF 11.0 million.

Total commission income for the year under review was slightly higher at CHF 33.8 million (2003: CHF 30.7 million).

In contrast, trading income decreased to CHF 17.5 million (2003: CHF 18.3 million). As in previous years, the main contribution came from structured products, - CHF 11.4 million (2003: CHF 12.9 million.), and the Forex income, which provided CHF 5.5 million (2003: CHF 4.7 million).

Operating expenses were CHF 41.2 million (2003: 38.4 million) of which personnel expenses were CHF 23.2 million (2003: CHF 22.5 million). Other operating expenses increased to CHF 18.0 million (2003: CHF 15.9 million).

Depreciation of non-current assets, primarily for IT investments connected to the replacement of the core system, amounted to CHF 7.9 million (2003: CHF 6.4 million).

Valuation adjustments, provisions and losses were mainly affected by irregularities perpetrated by a former management member (see further details below). The Bank made provisions of CHF 10.7 million (2003: CHF 16.9 million). In this context, it released reserves for general banking risks in the amount of CHF 10.7 million, which is reported as extraordinary income.

Development measures and reorganization

Private Banking and Business Development

During 2004, the Bank expanded its private banking and trading functions. Following segmentation of the client base, it strengthened its private banking teams in Zurich and Geneva based on a more streamlined and teamwork approach. The Bank also established a Business Development function in order to expand the marketing and business development activities in its target markets. Furthermore, the Bank developed activities with Israeli based institutional

investors by providing them with innovative products and portfolio management expertise, mainly within the alternative investment arena.

Representative Offices

Following approval from the Hungarian Banking Authority, the Bank established a representative office in Budapest, Hungary, for the marketing of its services and products. In December 2004, it received a permit from the Bank of Israel in connection with the operations of its Israeli representative office.

Portfolio Management

During the year, the Bank enhanced the management infrastructure of its discretionary portfolio management business and succeeded in increasing the assets overviewed by the portfolio management unit by 17 % in comparison to 2003. The Bank offers discretionary managed accounts under five different investment strategies in various currencies to best fit each client's investment profile and risk tolerance. All strategies performed well in comparison with their respective benchmarks. In addition, the Bank also offers tailor made discretionary mandates for selected clients.

Structured Products' Distribution

In 2004, the Bank promoted distribution for a wide range of financial products tailored to its clients' needs. In view of the continuing low interest rate environment, the Bank continued to scan the markets for valuable products and innovative investment opportunities. During the year, the Bank distributed over CHF 1 billion in structured products and strengthened its infrastructure to support this activity.

Additionally, the Bank focused on investment opportunities in the credit market with the aim of leveraging on the improving credit cycle mainly in the USA. It was successful in establishing expertise and a track record in the market for Collateralized Debt Obligations.

During the year, the Bank held seminars for institutional and private banking investors in Israel and in Switzerland and introduced prominent managers of Collateralized Loan Obligations from the USA and Europe. Screening continues within the credit market for outperforming managers and deals in order to respond to the increasing demand, mainly from institutional clients, for investment opportunities in this market.

The Bank closely monitors the distribution of structured products with the aim of assuring adherence to investment policy and also to ensure clients' awareness of all risks as well as the rewards associated with such investments.

Compliance Function – adherence to Money Laundering Ordinance

In 2004 the Bank further enhanced its compliance function

and formalized monitoring and control activities in line with the requirements of the New Anti Money-Laundering Ordinance, which came into force in July 2004. The Bank segmented all bank accounts according to their risk profile, based on pre-defined risk criteria, with the aim of facilitating monitoring activities. The Bank also successfully installed an automated transaction monitoring system to enhance the identification of higher risk transactions.

Board of Directors and its committees

During 2004, the Board of Directors, the Executive Committee of the Board and the Audit Committee of the Board each held five meetings.

Project for the new IT system "Globus"

Since October 2002, the Bank has been engaged in the development and implementation of a new IT system that will enhance its operational capabilities by providing top tier private banking services to its clients. The installation of the system is expected to be completed in 2005.

Follow-up on the event discovered in 2001

At the beginning of January 2001, the Bank discovered that a former management member had carried out unauthorized transactions with regard to certain clients' accounts. The employee was immediately released from his duties and was dismissed by the Bank. During 2004, the Bank made additional progress with the settlement of claims by clients who sustained monetary damages due to this action. At the year-end, almost all claims received by clients were settled. The Bank is making every effort possible to expedite settlement of the remaining claims.

In connection with the above mentioned event, the Bank made provisions in the 2004 Financial Statements in a total amount of CHF 10.7 million (2003: CHF 16.9 mil.), of which CHF 0.5 million are provisions for administrative expenses (2003: CHF 2.2 mil.).

Shareholder Equity after distribution of the Bank's net profit

The Board of Directors proposes to distribute a dividend payment of CHF 8.25 million, which represents 25 % of the share capital.

Together with retained earnings brought forward in the Bank's balance sheet, the amount at the disposal of the Annual General Meeting of Shareholders is CHF 11 080 628. After transferring CHF 660 000 to the general legal reserves and CHF 2 170 000 to the other reserves, the balance of CHF 628 000 will be carried forward to 2005. The published equity of the Bank for the year under review was CHF 225.0 million (2003: CHF 214.0 million).

Reserves for general banking risk, as shown in the consolidated balance sheet, amount to CHF 2.9 million (2003: CHF 14.3 million). Total capital and reserves, including

reserves for general banking risk, will amount – after distribution of the Bank's net profit – to some CHF 231.8 million (2003: CHF 231 million).

The Board of Directors expresses its appreciation to the General Manager, Members of the Management and employees for their work and efforts.

The Board of Directors

1. Balance sheet – consolidated

(in Swiss Francs)

	Dec. 31, 2004	Preceding year	Changes
Assets			
Cash	2 842 404	7 377 372	- 4 534 968
Money market instruments	6 219 316	1 856 885	4 362 431
Due from banks	154 272 452	84 486 358	69 786 094
Due from customers	498 992 186	552 856 727	- 53 864 541
Securities trading portfolios	24 398 465	21 729 632	2 668 833
Financial investments	131 397 750	138 047 027	- 6 649 277
Fixed assets	3 546 790	5 202 486	- 1 655 696
Intangible Assets	9 699 700	7 129 329	2 570 371
Accrued income and prepaid expenses	9 746 754	9 393 197	353 557
Other assets	48 567 101	41 491 166	7 075 935
Total assets	889 682 918	869 570 179	20 112 739
Total subordinated claims	3 004 477	3 005 229	- 752
Total due from group entities and significant shareholders	120 737	99 546	21 191
Liabilities and shareholders' equity			
Due to banks	375 742 487	339 124 614	36 617 873
Due to customers, other	179 243 671	179 967 397	- 723 726
Accrued expenses and deferred income	12 362 996	9 796 465	2 566 531
Other liabilities	48 922 455	40 223 477	8 698 978
Valuation adjustments and provisions	41 631 603	69 239 949	- 27 608 346
Reserves for general banking risks	2 885 671	14 325 500	- 11 439 830
Share capital	33 000 000	33 000 000	0
Retained earnings	183 892 774	176 606 985	7 285 789
Net consolidated income	12 001 261	7 285 792	4 715 469
Total liabilities and shareholders' equity	889 682 918	869 570 179	20 112 739
Total due to group entities and significant shareholders	125 517 523	119 591 700	5 925 823
Off-balance sheet transactions			
Contingent liabilities	79 030 137	111 883 191	- 32 853 054
Derivative instruments – Contract volume	2 356 152 443	1 751 230 332	604 922 111
– Positive replacement value	44 089 824	36 665 027	7 424 797
– Negative replacement value	47 483 221	38 946 851	8 536 370
Fiduciary transactions	1 201 607 637	1 308 155 755	- 106 548 118

2. Income statement – consolidated

(in Swiss Francs)

	2004	Preceding year	Changes
Revenues and expenses from ordinary banking activities			
Results from interest activities:			
– Interest and discount income	12 372 988	10 661 151	1 711 837
– Interest and dividend income on trading portfolios	491 682	431 424	60 258
– Interest and dividend income on financial investments	5 959 299	5 512 031	447 268
– Interest expenses	–7 831 213	–5 583 995	–2 247 218
Net interest income (Subtotal)	10 992 756	11 020 611	– 27 855
Results from commission and service fee activities:			
– Commission income on lending activities	566 890	656 347	– 89 457
– Commission income on securities and investment transactions	32 038 343	28 615 272	3 423 071
– Commission income on other services	2 825 432	2 817 946	7 486
– Commission expenses	–1 586 745	–1 421 252	–165 493
Results from commission and service fee activities (Subtotal)	33 843 920	30 668 313	3 175 607
Results from trading operations	17 489 146	18 349 003	– 859 857
Other ordinary results:			
– Results from the sale of financial investments	295 471	16 061	279 410
– Participation income (non-consolidated)	0	0	0
Other ordinary results (Subtotal)	295 471	16 061	279 410
Operating expenses:			
– Personnel expenses	–23 191 542	–22 504 234	–687 308
– Other operating expenses	–18 000 069	–15 927 383	–2 072 686
Operating expenses (Subtotal)	–41 191 611	–38 431 617	–2 759 994
Gross profit	21 429 682	21 622 371	– 192 689
Net consolidated income			
Gross profit	21 429 682	21 622 371	– 192 689
Depreciation and write-offs on non-current assets	–7 864 255	–6 402 900	–1 461 355
Valuation adjustments, provisions and losses	–11 571 014	–17 819 015	6 248 001
Extraordinary income	11 945 871	11 126 626	819 245
Extraordinary expenses	–2 593	–163 095	160 502
Taxes	–1 936 430	–1 078 195	–858 235
Net consolidated income	12 001 261	7 285 792	4 715 469

Statement of cash-flows – consolidated

(in 1000 Swiss Francs)

	2004		Preceding year	
	Source of funds	Application of funds	Source of funds	Application of funds
Cash-flow from operating results (internal sources)				
Net consolidated income	12 001	0	7 286	0
Depreciation and write-offs on non-current assets	7 864	0	6 403	0
Valuation adjustments and provisions	13 325	- 72	16 863	- 3 480
Reserves for general banking risks	41	- 11 480	0	- 11 418
Accrued income and prepaid expenses	0	- 354	0	- 1 114
Accrued expenses and deferred income	2 566	0	210	0
Balance	23 891	0	14 750	0
Cash-flow from investment activities				
Participations	0	0	0	0
Fixed assets	0	- 903	0	- 662
Intangible assets	0	- 7 875	0	- 8 612
Balance	0	- 8 778	0	- 9 274
Cash-flow from banking operations				
Medium and long-term operations (more than 1 year)				
- Due to banks	0	- 224	335	0
- Other liabilities	0	- 2 051	0	- 1 248
- Due from banks	0	0	0	0
- Due from customers	0	- 20 872	0	- 27 815
- Financial investments	6 649	0	0	- 3 879
Short-term operations				
- Due to banks	36 842	0	0	- 110
- Due to customers	1 327	0	9 387	0
- Due from money market instruments	0	- 4 362	4 529	0
- Due from banks	0	- 69 786	5 693	0
- Due from customers	74 736	0	0	- 29 790
- Securities and precious metal portfolios	0	- 2 669	2 010	0
- Other assets / liabilities	1 623	0	88 549	0
Specific usage of valuation adjustments and provisions		- 40 861		- 51 763
Liquidity				
- Cash	4 535	0	0	- 1 374
Balance	0	- 15 113	0	- 5 476
Total	23 891	- 23 891	14 750	- 14 750

Notes to the Consolidated Financial Statements

Bank Leumi le-Israel (Switzerland)

1. Comments on Business Activities

Introduction

Bank Leumi le-Israel (Switzerland) is primarily active in providing private banking services to high net worth individuals worldwide and operates via the head office in Zurich and its branch in Geneva. The Bank holds a representative office in Israel and in Hungary. As of year-end, the Group employed a total of 132 members of staff (2003: 132), of which 28 (2003: 28) are located in Geneva.

Strategic business units

The Bank provides a comprehensive range of investment and asset management services. Therefore commission and service fees represent the main source of income, amounting to 54 % (2003: 51 %) of the gross income before operating expenses. Interest-bearing activities amount to 18 % (2003: 18 %) and trading to 28 % (2003: 31 %) of the gross income before operating expenses.

Core business activities are:

Asset management and investment activities

Asset and portfolio management for mainly international customers constitutes the Bank's main activity.

Trading

Foreign exchange and security trading is carried out mainly for clients and for the nostro book. The activity in structured products, which also contributes to trading income, has been introduced primarily to meet the needs of private banking clients. As of year-end, all items that are traded for the Bank's own account are in line with the guidelines approved by the Board of Directors.

Lending Activities

The Bank primarily engages in collateralized lending to private banking clients, by means of Lombard credits.

Risks

The Management of the Bank places strong emphasis on risk management as reflected in its risk policy. In principle, the Bank does not undertake any business with a high-risk profile. The supervision and control of the material risk can be summarized as follows:

Interest rate risks are controlled within the framework of the asset & liability management. The Bank hedges interest rate risks. They are expressly considered in investing in financial securities for the Bank. The development of the financial markets is monitored daily and reported to the Investment Committee of the Bank.

As of year-end, currency risks were hedged according to the guidelines approved by the Board of Directors.

Price risk from trading activity is limited by a system defining maximum exposure. Risk related to the replacement value of open derivative items is modest. Market liquidity risk in foreign exchange trading is negligible as the Bank refrains from trading in illiquid markets.

87 % of the Bank's assets are held in Europe, Switzerland, North America and Israel (2003: 87 %). No loans were classified as exposed to country risk during 2004.

Credit approvals are subject to quality requirements, margins and limits, set forth in internal regulations, and regularly reported to the credit committee of the Bank. All credit positions, including derivative financial instruments, are subject to exposure limits and are continuously monitored.

Liquidity risk is monitored and controlled in line with the provisions of the Federal Law on Banks and Saving Banks (BankL).

The Legal & Compliance Department ensures that the Bank's business activities comply with the regulatory provisions in force, as well as with internal directives and guidelines. The department was responsible for the adherence to the new money laundering directive, which is in force since June 2004. For this purpose the Group implemented an adequate IT application which supports the working processes in the area of transaction monitoring efficiently.

Operating risk is defined as "risk of direct or indirect losses resulting from the inadequacy or the failure of internal procedures, persons and systems or from external events". It is limited by means of internal regulations and directives. The Internal Audit Department periodically checks the internal controls, and issues its activity reports directly to the Board of Directors or to its Audit Committee.

The Bank ensures that the executive bodies are regularly informed with respect to market, credit, liquidity, legal and operational risk by means of a management information system.

There are adequate provisions for litigation risks.

In accordance with Federal Banking Commission regulations, no business functions were outsourced.

Events after the balance sheet date

Between the balance sheet date and the printing of the annual report (closing of editing was April 11th, 2005) no events took place, which have a negative impact on the assets, financials and income situation of the Bank.

2. Accounting and Valuation Principles for the Consolidation

Principles of Consolidation

The following accounting and valuation principles correspond with the bank accounting guidelines of the implementing ordinance of the federal law on banks and saving banks (BankO). The consolidated financial statements consist of the balance sheet, income statement, the statement of cash-flows and the notes to the financial statements.

The structure of the consolidated financial statements was established according to Art. 25f – Art. 25i of the BankO. Accordingly, the capital and the profit reserves as well as the income from equity participations are disclosed separately.

The group accounts outline the assets and earnings of Bank Leumi le-Israel (Switzerland) in accordance with the "true and fair view" principle.

The business activities are recorded as at value date; i.e. the recording is generally based on the transfer of power to dispose of an asset. Thus, purchased assets are only recorded at the time when the right of ownership is acquired or the authority to dispose assets is transferred.

Companies subject to full consolidation are bound by group-wide, consistent and binding valuation guidelines. All companies have the same fiscal year.

It is the Group's policy to establish specific value adjustments for possible losses. Contingent risks are covered by global provisions and reserves and are disclosed in the consolidated balance sheet under "reserves for general banking risk".

The capital consolidation was performed according to the purchase method.

Foreign currency transactions are converted and recorded at the respective daily exchange rates in Swiss Francs. Assets reported in the balance sheet are converted at the exchange rates valid on the balance sheet date and are posted to the appropriate income account accordingly. Any differences in exchange rates which may result between conclusion and settlement of a transaction are reported in the income statement.

All Group companies keep their accounts in Swiss Francs.

The following exchange rates (against the CHF) were applied for the currency conversions:

	2004 Balance sheet rate	Preceding year Balance sheet rate
USD	1.1315	1.2385
EUR	1.5437	1.5586
GBP	2.1835	2.2030
CAD	0.9400	0.9565
AUD	0.8820	0.9295
JPY	1.1030	1.1580

Any inter-company transactions and provisional profits are eliminated.

In addition to the Bank, the consolidated entity comprises the following fully consolidated companies:

	Equity (in CHF)	Capital Interest	Business activity
Leumi Fund Holding, Luxembourg	120 000	100 %	Investment Fund Management
Leumi Asset Man- agement, Zurich	100 000	100 %	Investment Advisory

Cash Assets, Money Market Instruments and due to Customers

Items are reported in the balance sheet at par value. The as yet unearned discount component on money market instruments is shown under the specific balance sheet position and is accrued until maturity.

Due from Banks and Customers

Items are reported in the balance sheet at par value. Value adjustments are made for discernible risk according to the principle of caution. If a debtor is more than 90 days in arrears with interest payments, the interest arrears are allocated directly to the provisions; in this instance, they are not recovered until the interest has been paid.

If a debt is deemed to be unrecoverable, either in whole or in part, or a debt waiver is granted, the debt is written off against the corresponding bad debt charge. Any previously reported amounts re-entered shall be credited directly to the bad debt charge.

Repo and Reverse Repo Transactions

These transactions are used mostly for short-term financing and they are therefore shown under the item "Due to Banks". Pledged securities are disclosed as "Loans- and pension-business with securities".

Securities and Precious Metals Trading Portfolio

Items in the trading portfolio are always valued and recorded in the balance sheet at fair value. The price quoted on a recognized exchange or a representative market is taken as the fair value. For structured products held in the trading portfolio, the price quoted is examined by means of a price model. If this is not possible, valuation is based on the principle of lower of cost or market. Transactions executed on behalf of clients are classified as trading transactions due to the fact that during a certain period the risk of such transactions remains within the Bank's own books.

Price gains and losses resulting from the valuation are recorded under "Results from trading operations". Interest and dividend income on trading portfolios are entered under the item "Interest and dividend income on trading portfolios".

Financial Investments in Securities and Precious Metals

These assets serve the medium and long-term needs of the Bank. The accrual method is applied to value such items.

Fixed Assets

Investments in fixed assets exceeding CHF 2,500 are reported in the balance sheet as assets and in accordance with the acquisition cost principle, provided they are used for longer than one accounting period.

Investments in existing fixed assets are reported in the balance sheet as assets, if, as a result, the economic value is increased on a sustained basis, the service life is considerably extended. Items are recorded at acquisition cost less straight-line depreciation over conservative estimated life of the asset. The declared value is checked yearly. In the case of decreased value or of a lowered service life, the remaining value will either be depreciated over the planned life time or an extra depreciation will be carried out. Planned and eventual additional unplanned depreciation will be recorded in the profit & loss statement under "Depreciation and write-offs on non-current assets".

The estimated utilization of investments in fixed assets are as follows:

Investments in rented property	max. 5 years
Information technology equipment	max. 4 years
Software and communication equipment	max. 3 years
Other fixed assets	max. 4 years

Intangible Assets

Acquired intangible assets are reported in the balance sheet if they provide the company with quantifiable benefits over a period of several years. They are recorded and valued at acquisition cost. As a rule, depreciation is on a straight-line basis and the depreciation period lasts a maximum of 4 years.

The estimated utilization of Intangible assets is as follows:

Software	max. 3 years
Other intangible assets	max. 4 years

The declared value is checked yearly. In the case of decreased value or of a lowered service life, the remaining value will either be depreciated over the planned life time or an extra depreciation will be carried out.

Pension Plan Liabilities

All Group employees belong to the Bank's own pension fund "Pension fund of Bank Leumi le-Israel (Switzerland)" which carries out direct investments. Only contribution-based plans are included in the fund.

Pension fund liabilities together with the assets serving as cover are structured in a legally independent foundation. The foundation has reinsured itself by taking out insurance for cases of death and disability. The manner in which the pension plans are organised, managed and funded complies with legal provisions, foundation deeds and the applicable pension regulations.

The Bank contributes to the insurance premium for the above mentioned reinsurance policy.

Employer Contributions are recorded under personnel expenses.

Taxes

Taxes are calculated and entered in the accounts based on the results for the year under review and from an operational point of view, and reported as expenditure for the accounting period in which the corresponding income arises. Direct taxes owed that arise from current income are recorded as accrued expenses. Tax effects arising from loss offsetting options are disregarded.

Deferred Taxes

The tax implications arising from time differences between the values disclosed in the consolidated balance sheet from assets and liabilities and their tax values are reported as deferred taxes under the provisions. The deferred taxes are determined separately in each financial period and for each tax item.

Contingent liabilities, irrevocable commitments and similar off-balance sheet items

These items are recorded with the nominal amount in the off-balance sheet. Valuation adjustments and provisions are established for foreseeable risks under the liabilities in the balance sheet.

Valuation Adjustments and Provisions

Valuation adjustments and provisions are established for all risks according to the principle of caution.

Precious Metals Accounts

The valuation of precious metals accounts is based on the market prices as of the balance sheet date.

Derivative Financial Instruments

Please refer to "Comments on Business Activities" on p. 10 for information regarding the Bank's corporate policy and risk management.

Trading Transactions

Items are valued and reported at fair value (excluding derivatives which are used for hedging purposes). Such derivatives are either reported at positive replacement values or at negative replacement values under "Other Assets/ Other Liabilities". The fair value is based on market prices, price confirmation by brokers, discounted cash-flow – and option-pricing-models.

Transactions with derivative financial instruments that are based on trading purposes, realised and unrealised profits, are reported under "income from trading operations".

Hedging Transactions

Besides trading transactions, the Group uses derivative financial instruments for hedging purposes in its asset & liability management with respect to interest rate risk, currency risk and counterparty risk. Income from hedging continues to be reported under the same income item as the corresponding income from the basic transaction to be hedged.

The Group hedges especially against interest rate risk arising from balance sheet transactions, by means of interest rate swaps in particular. The income from so-called "Macro- & Micro-Hedges" is reported under "Interest income and expenses".

Changes to Accounting and Valuation Principles

For the year under review no amendments had been done in this area.

3. Information to the balance sheet – consolidated

Listing of collateral

(in 1000 Swiss Francs)

	Mortgage collateral	Type of collateral Other collateral	Without collateral a)	Total
Loans				
Due from customers	5 592	461 752	31 648	498 992
Total loans	5 592	461 752	31 648	498 992
Preceding year	5 914	495 535	51 408	552 857
Off-balance sheet transactions				
Contingent liabilities	0	78 831	199	79 030
Total off-balance sheet transactions	0	78 831	199	79 030
Preceding year	0	111 670	213	111 883
	Gross debt amount	Assumed liquidation income of securities	Net debt amount	Individual provisions
Contested balances b)	42 912	13 124	29 788	40 809 b)

a) amounts covered by valuation adjustments and provisions; refer to the note disclosures "other information on the income statement".

b) CHF 39,5 Mio of the contested balances are in connection with unauthorised and alleged transactions of a former management member identified in the year 2001. Individual provisions contents possible other claims in connection with these unauthorised transactions.

Securities and precious metal trading portfolios, financial investments and participations – consolidated

(in 1000 Swiss Francs)

	2004	Preceding year
Securities and precious metal trading portfolios		
– Debt securities		
– Exchange listed	16 811	21 074
– Unlisted	7 496	0
– Participation instruments	91	656
– Precious metals	0	0
Total securities and precious metal trading portfolios	24 398	21 730

	Book Value		Fair Value	
	2004	Preceding year	2004	Preceding year
Financial investments				
– Debt securities (“accrual method”)				
– Exchange listed	124 003	135 956	130 798	143 180
– Unlisted	5 657	0	5 657	0
– Participation instruments	237	531	296	638
– Precious metals	1 500	1 560	0	1 560
Total financial investments	131 397	138 047	136 751	145 378

Main participations – consolidated

(in 1000 Swiss Francs)

Name of company, location	Business	2004		preceding year	
		Capital	Quota	Capital	Quota
Consolidated participations					
Leumi Asset Management, Zurich	Investment Advisory	100	100 %	100	100 %
Leumi Fund Holding, Luxembourg	Fund Management	120	100 %	120	100 %

Fixed and intangible assets – consolidated

(in 1000 Swiss Francs)

	Historical cost	Write-offs/ Accumulated depreciation	Book value end of preceding year	2004			
				Additions	Deductions	Write-offs/ Depre- ciation	Book value end of current year
Fixed assets							
– Other fixed assets	29 073	– 23 870	5 203	903	0	– 2 559	3 547
Total fixed assets	29 073	– 23 870	5 203	903	0	– 2 559	3 547
Intangible assets							
– Other intangible assets	20 186	– 13 057	7 129	7 875	0	– 5 305	9 699
Total intangible assets	20 186	– 13 057	7 129	7 875	0	– 5 305	9 699
Fire insurance value of other fixed assets							13 500

Other assets and liabilities – consolidated

(in 1000 Swiss Francs)

	2004		Preceding year	
	Other assets	Other liabilities	Other assets	Other liabilities
Replacement value of derivative instruments				
Own trading contracts				
– replacement value of client transactions	44 000	43 775	36 367	36 383
– replacement value of nostro positions	2	64	0	292
– replacement value of asset/liabilities management	88	3 644	298	2 272
<i>Total derivative instruments</i>	<i>44 090</i>	<i>47 483</i>	<i>36 665</i>	<i>38 947</i>
Equalization account	3 727	0	2 688	0
Indirect taxes	365	173	187	237
Transit account	0	402	1 527	245
Coupons not cashed	0	8	0	8
Other assets and liabilities	385	856	424	786
Total	48 567	48 922	41 491	40 223

Assets pledged or ceded to secure own liabilities, and assets subject to ownership reservation – consolidated

Assets pledged

(in 1000 Swiss Francs)

	2004		Preceding year	
	Collateral resp. Book Value	Liability resp. amount used	Collateral resp. Book Value	Liability resp. amount used
Type of not available assets and reason for pledge				
Short and longterm investments for lombard credit business	5 915	0	7 420	0
Longterm investments as collateral for security clearing	39 761	0	39 854	0
Money market instruments for derivative business	6 219	0	1 857	0
Due from banks for derivative business	27 156	0	25 500	0
Total of assets pledged or ceded to secure own liabilities and assets subject to ownership reservation	79 051	0	74 631	0

Loans- and pensions-business with securities

(in 1000 Swiss Francs)

	2004	Preceding year
Bookvalue of liabilities of cashdeposits in correlation with securities borrowing und reverse-repurchase business	21 000	0
Bookvalue of in securities lending borrowed or in securities borrowing as collateral delivered as well as for repurchase transactions transferred securities in own possession.	19 832	0
thereof unlimited right for sale or pledge allowed	19 832	0

As per December 31, 2004 no open securities lending and borrowing transactions on accounts

Liabilities to own pension plans – consolidated

(in 1000 Swiss Francs)

	2004	Preceding year
Pension Fund of Bank Leumi le-Israel (Switzerland)	7 417	3 911

All employees of the Group are included in the Group's autonomous pension fund "Pension Fund of Bank Leumi le-Israel (Switzerland), Zurich", which is based on contribution agreements.

Valuation adjustments and provisions / reserves for general banking risks – consolidated

(in 1000 Swiss Francs)

	Balance, end of preceding year	Specific usage	Recoveries, overdue interest, currency differences	2004 New creation charged to income statement	Reversals credited to income statement	Balance end of current year
Reserves for deferred taxes	0	0	0	823	0	823
Valuation adjustments and provisions for loan losses (credit and country risks)	69 240	- 40 861	1 490	11 012	- 72	40 809 a)
Total valuation adjustments and provisions as per balance sheet	69 240	- 40 861	1 490	11 835	- 72	41 632
Reserves for general banking risks	14 325	0	41	0	- 11 480	2 886

a) Valuation adjustments and provisions for loan losses includes provisions for credit risks for doubtful loans and possible other claims in connection with unauthorised and alleged transaction of a former management member identified in the year 2001.

Capital structure and share holders with participations above 5% of voting rights – consolidated

(in 1000 Swiss Francs)

	2004			Preceding year		
	Total nominal value	Number of units	Dividend bearing capital	Total nominal value	Number of units	Dividend bearing capital
Share capital						
Registered shares A (100.–)	13 350	133 500	13 350	13 350	133 500	13 350
Bearer shares B (500.–)	19 650	39 300	19 650	19 650	39 300	19 650
Total capital	33 000	172 800	33 000	33 000	172 800	33 000

	2004		Preceding year	
	Nominal value	Voting rights in %	Nominal value	Voting rights in %
Significant shareholders of Bank Leumi le-Israel (Switzerland)				
Bank Leumi le-Israel B.M., Tel Aviv	23 197	88.65 %	23 057	88.49 %

	2004		Preceding year	
	Nominal value	Voting rights in %	Nominal value	Voting rights in %
Significant shareholders of Bank Leumi le-Israel B.M., Tel Aviv				
Staat Israel	134 202	36.29 %	148 479	36.90 %
Shlomo Eliahu Holdings Ltd. and its subs. and ass. companies	36 971	10.00 %	40 223	10.00 %
Migdal Insurance Holdings Ltd.	0	0.00 %	36 521	9.08 %
Bank Hapoalim Funds	20 878	5.65 %	21 137	5.25 %
Otzar Hityashvut Hayehudin B.M.	18 745	5.07 %	20 393	5.07 %
Others	a)	a)	a)	a)

a) below 5 %

Rate CHF/ILS

0.2615

0.2845

Statement of changes in shareholders' equity – consolidated

(in 1000 Swiss Francs)

Shareholders' equity, at beginning of current year

Share capital	33 000
Retained earnings	176 607
Reserves for general banking risks	14 325
Net consolidated income	7 286

Total shareholders' equity at beginning of current year

231 218

(before profit distribution)

+ Capital increase / decrease	0
+ Premium over nominal value	0
+/- Other allocations to/from reserves	- 11 440
- Dividends and other distributions of retained earnings brought forward	0
+ Net consolidated income	12 001
+/- Currency differences	0

Total shareholders' equity, at end of current year

231 779

(before profit distribution)

<i>Thereof Share capital paid-in</i>	33 000
<i>Retained earnings</i>	183 893
<i>Reserves for general banking risks</i>	2 885
<i>Net consolidated income</i>	12 001

The amount of not distributable retained earnings is 34,7 Mio CHF.

Maturity structure of current assets, financial investments and borrowed funds – consolidated

(in 1000 Swiss Francs)

	At sight	Redee- mable by notice	Within 3 months	Maturities Within 3 to 12 months	Within 1 to 5 years	After 5 years	Total
Current assets							
Cash	2 842	-	-	-	-	-	2 842
Money market instruments	0	0	6 219	0	0	0	6 219
Due from banks	29 530	4 403	120 339	0	0	0	154 272
Due from customers	72 614	0	128 818	127 344	151 574	18 642	498 992
Securities and precious metal trading portfolios	24 398	-	-	-	-	-	24 398
Total current assets	129 384	4 403	255 376	127 344	151 574	18 642	686 723
Preceding year	178 170	0	226 811	113 982	146 000	3 344	668 307
Financial investments	1 500	0	5 001	11 020	90 625	23 252	131 398
Preceding year	1 560	0	0	0	86 022	50 465	138 047
Borrowed funds							
Due to banks	1 928	0	291 910	81 793	111	0	375 742
Due to customers, other	171 033	0	489	1 484	6 238	0	179 244
Total borrowed funds	172 961	0	292 399	83 277	6 349	0	554 986
Preceding year	171 193	0	265 002	74 274	8 623	0	519 092

Due from and due to affiliated companies and loans and exposures to the members of the bank's governing bodies – consolidated

(in 1000 Swiss Francs)

	2004	Preceding year
Due from affiliated companies	27 824	27 894
Due to affiliated companies	9 062	9 191
Loans and exposures to the members of the bank's governing bodies	442	476

Transactions with affiliated companies and members of the bank's governing bodies

Within the group the bank represents the center of competence regarding the distribution of structured products. For the sale of such products through group companies, the bank pays the group retrocessions on a case to case basis based on the particular transaction. In the year 2004 an total of TCHF 659 had been paid and had been recorded under results from trading operations as well as commission on income on securities and investment transactions.

Members of the board of directors, members of the management as well as ordinary employees benefit from special conditions, which are stipulated in the guidelines for employees.

The conditions applied for other affiliates companies (such as security transactions, loans and compensations on deposits) are equal to clients conditions.

Assets and liabilities by domestic and foreign origin – consolidated

(in 1000 Swiss Francs)

	2004		Preceding year	
	Domestic	Foreign	Domestic	Foreign
Assets				
Cash	2 842	0	7 377	0
Money market instruments	0	6 219	0	1 857
Due from banks	24 113	130 159	6 916	77 570
Due from customers	36 837	462 155	65 755	487 102
Securitie trading portfolio	0	24 398	0	21 730
Financial investments	86 424	44 975	90 983	47 064
Participations	3 547	0	5 203	0
Fixed assets	9 700	0	7 129	0
Accrued income and prepaid expenses	5 173	4 574	5 046	4 347
Other assets	18 175	30 392	19 348	22 143
Total assets	186 811	702 872	207 757	661 813
Liabilities and shareholders' equity				
Due to banks	45 768	329 975	25 213	313 912
Due to customers, other	37 646	141 598	36 034	143 933
Accrued expenses and deferred income	10 797	1 566	8 318	1 478
Other liabilities	19 721	29 201	19 738	20 486
Valuation adjustments and provisions	29 067	12 564	50 676	18 564
Reserves for general banking risks	2 886	0	14 326	0
Share capital	33 000	0	33 000	0
Retained earnings	183 893	0	176 607	0
Net consolidated income	12 001	0	7 286	0
Total liabilities and shareholders' equity	374 779	514 904	371 197	498 373

Assets by countries / country groups – consolidated

(in 1000 Swiss Francs)

	2004		Preceding year	
	Total	in %	Total	in %
Europe				
– Switzerland	147 605	18 %	212 119	24 %
– Liechtenstein	2 611	0 %	22 128	3 %
– Belgium	24 603	3 %	13 407	1 %
– Germany	162 101	20 %	170 281	20 %
– United Kingdom	46 763	6 %	41 454	5 %
– France	26 820	3 %	31 275	4 %
– Italy	36 200	4 %	23 686	3 %
– Netherland	5 398	1 %	4 128	1 %
– Luxemburg	12 022	1 %	2 553	0 %
– Austria	21 590	3 %	14 876	2 %
– Spain	9 548	1 %	1 268	0 %
– Other countries	7 812	1 %	2 695	0 %
	503 073	61 %	539 870	63 %
Israel	150 773	18 %	147 968	16 %
North America				
– United States	48 964	6 %	48 469	6 %
– Other countries	16 071	2 %	8 743	1 %
	65 035	8 %	57 212	7 %
Latin America				
– Panama	4 313	1 %	4 953	1 %
– Other countries	18 504	2 %	18 636	2 %
	22 817	3 %	23 589	3 %
Africa	2 717	0 %	20 013	2 %
Caribic	16 800	2 %	0	0 %
Asia / Oceania	52 809	7 %	77 974	9 %
Australia and New Zealand	4 099	1 %	2 944	0 %
Total receivables / securities	818 123	100 %	869 570	100 %

Balance sheet by currencies – consolidated

(in 1000 Swiss Francs)

	Currencies					Total
	CHF	EUR	USD	JPY	Other	
Assets						
Cash	1 685	614	367	0	176	2 842
Money market instruments	0	0	6 219	0	0	6 219
Due from banks	88 250	11 256	39 555	86	15 125	154 272
Due from customers	175 447	70 255	137 288	102 278	13 724	498 992
Securities and precious metal trading portfolios	0	55	24 343	0	0	24 398
Financial investments	102 974	20 285	6 640	0	1 500	131 399
Fixed assets	3 547	0	0	0	0	3 547
Intangible assets	9 700	0	0	0	0	9 700
Accrued income and prepaid expenses	6 141	1 748	1 468	303	87	9 747
Other assets	14 955	27 791	230	3 911	1 680	48 567
Total on-balance assets	402 699	132 004	216 110	106 578	32 292	889 683
Due from FX-Spot, -Forward and -Option transactions	88 659	393 600	850 940	193 861	64 209	1 591 269
Total assets	491 358	525 604	1 067 050	300 439	96 501	2 480 952
Liabilities and shareholders' equity						
Due to banks	100 151	56 695	118 338	95 696	4 863	375 743
Due to customers, other	32 934	39 791	80 081	6 706	19 732	179 244
Accrued expenses and deferred income	8 156	1 263	2 742	148	54	12 363
Other liabilities	11 114	1 713	32 321	3 519	255	48 922
Valuation adjustments and provisions	20 698	5 737	9 815	37	5 344	41 631
Reserves for general banking risks	2 886	0	0	0	0	2 886
Share capital	33 000	0	0	0	0	33 000
Retained earnings	183 893	0	0	0	0	183 893
Net consolidated income	12 001	0	0	0	0	12 001
Total liabilities and shareholders' equity	404 833	105 199	243 297	106 106	30 248	889 683
Due to FX-Spot, -Forward and -Option transactions	87 718	393 655	851 962	193 767	64 167	1 591 269
Total liabilities	492 551	498 854	1 095 259	299 873	94 415	2 480 952

4. Information on off-balance sheet transactions

Analysis of contingent liabilities – consolidated

(in 1000 Swiss Francs)

	2004	Preceding year	Changes
Contingent liabilities			
– Credit guarantees and similar	64 909	104 681	– 39 772
– Irrevocable commitments	14 121	7 202	6 919
Total contingent liabilities	79 030	111 883	– 32 853

Analysis of fiduciary transactions – consolidated

(in 1000 Swiss Francs)

	2004	Preceding year	Changes
Fiduciary transactions			
– Fiduciary placements with third party banks	1 041 799	1 103 188	– 61 389
– Fiduciary placements with banks of the group	121 333	158 180	– 36 847
– Fiduciary credits	38 476	46 788	– 8 312
Total fiduciary transactions	1 201 608	1 308 156	– 106 548

Assets under Management – consolidated

(in Mio. Swiss Francs)

	2004	Preceding year
Assets under management		
Assets in own mutual funds	180	230
Assets in managed accounts	630	537
Other assets under management	4 783	4 970
Total clients assets (incl. twice counted amounts)	5 593	5 737
thereof twice counted amounts	180	230
net balance of assets inflow-outflow	–8	162

5. Information on the income statement

Analysis of results from trading operations – consolidated

(in 1000 Swiss Francs)

	2004	Preceding year	Changes
Results from trading operations			
– Foreign exchange and other business segments	5 476	4 650	826
– Precious metals	5	1	4
– Securities	880	806	74
– Income structured product activities	11 388	12 906	– 1 518
– Interest rate instruments	– 260	– 14	– 246
Total results from trading operations	17 489	18 349	– 860

Analysis of personnel expenses – consolidated

(in 1000 Swiss Francs)

	2004	Preceding year	Changes
Personnel expenses			
– Remuneration and fees for board of directors	324	339	–15
– Salaries	18 403	17 670	733
– Contributions to AHV and unemployment insurance	1 051	1 211	–160
– Contributions to social benefits	1 523	1 490	33
– Other personnel expenses	1 891	1 794	97
Total personnel expenses	23 192	22 504	688

Analysis of other operating expenses – consolidated

(in 1000 Swiss Francs)

	2004	Preceding year	Changes
Other operating expenses			
– Occupancy expense	2 796	2 715	81
– Expenses for electronic data processing, machinery, furniture, vehicles and leasehold improvements	3 192	2 553	639
– Expenses for electronically communication	3 157	3 048	109
– Other operating expenses	8 855	7 611	1 244
Total other operating expenses	18 000	15 927	2 073

Tax expenses - consolidated

(in 1000 Swiss Francs)

	2004	Preceding year	Changes
– Creation of provision for deferred taxes	823	0	823
– current tax expenses	1 113	1 078	35
Total tax expenses	1 936	1 078	858

Current tax expenses include mainly capital tax. There are practically no tax income taxes payable due to the existing possibility of loss carried forward. The remaining loss carried forward of CHF 10,4 Mio. as reported of December 31, 2003 had been set off.

Other information on the income statement – consolidated

Explanation of significant losses, extraordinary income and expense as well as with respect to the significant release of reserves for general banking risks

For the year under review valuation adjustments and provisions had been increased by CHF 10,7 Mio. This increase was created in connection with the alleged unauthorized transactions of a former management member as identified in 2001.

For the year under review a provision for deferred taxes in the amount of CHF 0,8 Mio has been made.

Under the extraordinary income there's a release included of reserves for general banking risks in the amount of CHF 11,5 Mio.

6. Sundries

Informations regarding market risks in the trading book – consolidated

(12 months average in 1000 Swiss Francs)

	2004	Preceding year	Changes
Debt instruments including derivatives	23 602	23 911	- 309
Participation certificates including derivatives	753	910	- 157
Foreign currency positions including derivatives	4 476	7 823	- 3 347
Precious metal positions including derivatives	69	99	- 30

Report of the group auditors
to the general meeting of
Bank Leumi le-Israel (Switzerland)
Zurich

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows and notes / pages 7 to 29) of Bank Leumi le-Israel (Switzerland) for the year ended 31 December 2004.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the accounting rules for banks and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Pascal Portmann



Thomas Romer

Zurich, 11 March 2005

1. Balance sheet – Bank

(in Swiss Francs)

	Dec. 31, 2004	Preceding year	Changes
Assets			
Cash	2 842 404	7 377 372	- 4 534 968
Money market instruments	6 219 316	1 856 885	4 362 431
Due from banks	151 349 892	82 436 493	68 913 399
Due from customers	498 992 186	552 856 727	- 53 864 541
Securities trading portfolios	24 398 465	21 617 280	2 781 185
Financial investments	131 397 750	138 047 027	- 6 649 277
Participations	220 000	220 000	0
Fixed assets	13 241 000	12 315 000	926 000
Accrued income and prepaid expenses	9 583 208	8 968 339	614 869
Other assets	48 563 156	41 489 877	7 073 279
Total assets	886 807 377	867 185 000	19 622 377
Total subordinated claims	3 004 477	3 005 229	- 752
Total due from group entities and significant shareholders	120 737	99 546	21 191
Liabilities and shareholders' equity			
Due to banks	375 742 487	339 124 614	36 617 873
Due to customers, other	180 494 774	180 696 795	- 202 021
Accrued expenses and deferred income	12 061 999	9 585 565	2 476 434
Other liabilities	48 905 216	40 204 672	8 700 544
Valuation adjustments and provisions	44 517 273	83 565 449	- 39 048 176
Share capital	33 000 000	33 000 000	0
General legal reserve	34 735 000	34 735 000	0
Other reserves	146 270 000	139 720 000	6 550 000
Retained earnings brought forward	2 905	8 798	- 5 893
Net income	11 077 723	6 544 107	4 533 616
Total liabilities and shareholders' equity	886 807 377	867 185 000	19 622 377
Total due to group entities and significant shareholders	126 768 626	120 321 098	6 447 528
Off-balance sheet transactions			
Contingent liabilities	79 030 137	111 883 191	- 32 853 054
Derivative instruments – Contract volume	2 356 152 443	1 751 230 332	604 922 111
– Positive replacement value	44 089 824	36 665 027	7 424 797
– Negative replacement value	47 483 221	38 946 851	8 536 370
Fiduciary transactions	1 201 607 637	1 308 155 755	- 106 548 118

2. Income statement – Bank

(in Swiss Francs)

	2004	Preceding year	Changes
Revenues and expenses from ordinary banking activities			
Results from interest activities:			
– Interest and discount income	12 372 988	10 659 908	1 713 080
– Interest and dividend income on trading portfolios	491 682	431 424	60 258
– Interest and dividend income on financial investments	5 959 300	5 512 031	447 269
– Interest expenses	– 7 834 018	– 5 584 959	– 2 249 059
Net interest income (Subtotal)	10 989 951	11 018 404	– 28 453
Results from commission and service fee activities:			
– Commission income on lending activities	566 890	656 347	– 89 457
– Commission income on securities and investment transactions	30 548 962	26 914 851	3 634 111
– Commission income on other services	2 835 432	2 827 946	7 486
– Commission expenses	– 1 813 545	– 1 639 052	– 174 493
Results from commission and service fee activities (Subtotal)	32 137 739	28 760 092	3 377 647
Results from trading operations	17 500 496	18 211 709	– 711 213
Other ordinary results:			
– Results from the sale of financial investments	295 471	16 061	279 410
– Participation income (consolidated)	0	450 000	– 450 000
Other ordinary results (Subtotal)	295 471	466 061	– 170 590
Operating expenses:			
– Personnel expenses	– 22 773 794	– 22 065 726	– 708 068
– Other operating expenses	– 17 746 116	– 15 639 938	– 2 106 178
Operating expenses (Subtotal)	– 40 519 910	– 37 705 664	– 2 814 246
Gross profit	20 403 747	20 750 602	– 346 855
Net income			
Gross profit	20 403 747	20 750 602	– 346 855
Depreciation and write-offs on non-current assets	– 7 852 930	– 6 387 710	– 1 465 220
Valuation adjustments, provisions and losses	– 11 571 014	– 17 819 015	6 248 001
Extraordinary expenses	– 2 593	– 163 096	160 503
Extraordinary income	11 121 454	11 126 626	– 5 172
Taxes	– 1 020 941	– 963 300	– 57 641
Net income	11 077 723	6 544 107	4 533 616

	2004	Preceding year	Changes
Allocation of retained earnings			
Net income	11 077 723	6 544 107	4 533 616
Retained earnings brought forward	2 905	8 798	- 5 893
	<hr/>	<hr/>	<hr/>
Accumulated profit	11 080 628	6 552 905	4 527 723
Allocation of retained profit			
Allocation to general legal reserve	- 660 000	0	- 660 000
Allocation to other reserves	- 2 170 000	- 6 550 000	4 380 000
Ordinary dividends 25%	- 8 250 000	0	- 8 250 000
	<hr/>	<hr/>	<hr/>
Retained earnings brought forward	628	2 905	- 2 277
	<hr/>	<hr/>	<hr/>

The Bank's Activity

Description of Business Activities

The description of the Bank's business activity is included in the consolidated financial statements of the Bank.

As of December 31, 2004, the Bank employed 131 people (2003: 130), of whom 28 (2003: 28) are located in Geneva.

Accounting and Valuation Principles of the Bank

The financial statements of the Bank have been prepared in accordance with the relevant Swiss Accounting Standards stipulated in the Swiss Code of Obligations, the Federal Law on Banks and Saving Banks, and the accounting rules defined by the Federal Banking Commission.

In general, the Bank's financial statements are based on the same accounting policies and valuation principles used for the consolidated financial statements. The Bank's financial statements may include and be influenced by hidden reserves. Deferred taxes are not considered in the financial statements of the Bank.

In addition, the intangible assets that are recorded separately in the consolidated financial statements are recorded as fixed assets. Participations are reported at acquisition cost principle. In case of a decreased value, depreciation will be carried out.

Other assets and liabilities – Bank

(in 1000 Swiss Francs)

	2004		Preceding year	
	Other assets	Other liabilities	Other assets	Other liabilities
Replacement value of derivative instruments				
Own trading contracts				
– replacement value of customer transactions	44 000	43 775	36 367	36 383
– replacement value of asset/liabilities management	2	64	0	292
– replacement value of nostro positions	88	3 644	298	2 272
<i>Total derivative instruments</i>	<i>44 090</i>	<i>47 483</i>	<i>36 665</i>	<i>38 947</i>
Equalization account	3 727	0	2 688	0
Indirect taxes	361	156	186	218
Transit account	0	402	1 527	245
Coupons not cashed	0	8	0	8
Other assets and liabilities	385	856	424	787
Total	48 563	48 905	41 490	40 205

Assets pledged or ceded to secure own liabilities, and assets subject to ownership reservation – Bank

Assets pledged

(in 1000 Swiss Francs)

	2004		Preceding year	
	Collateral resp. Book Value	Liability resp. amount used	Collateral resp. Book Value	Liability resp. amount used
Type of not available assets and reason for pledge				
Short and longterm investments for lombard credit business	5 915	0	7 420	0
Longterm investments as collateral for security clearing	39 761	0	39 854	0
Money market instruments for derivative business	6 219	0	1 857	0
Due from banks for derivative business	27 156	0	25 500	0
Total of assets pledged or ceded to secure own liabilities and assets subject to ownership reservation	79 051	0	74 631	0

Loans- and pensions-business with securities

(in 1000 Swiss Francs)

	2004	Preceding year
Bookvalue of liabilities of cashdeposits in correlation with securities borrowing und reverse-repurchase business	21 000	0
Bookvalue of in securities lending borrowed or in securities borrowing as collateral delivered as well as for repurchase transactions transferred securities in own possession.	19 832	0
thereof unlimited right for sale or pledge allowed	19 832	0

As per December 31, 2004 no open Securities lending and borrowing transactions on accounts.

Liabilities to own pension plans – Bank

(in 1000 Swiss Francs)

	2004	Preceding year
Pension Fund of Bank Leumi le-Israel (Switzerland)	7 417	3 911

All employees of the Bank are included in the Bank's autonomous pension fund "Pension Fund of Bank Leumi le-Israel (Switzerland), Zurich", which is based on contribution agreements.

Valuation adjustments and provisions – Bank

(in 1000 Swiss Francs)

	Balance, end of preceding year	2004			Balance end of current year	
		Specific usage differences	Recoveries, overdue interest, currency statement	New creation charged to income statement		Reversals credited to income
Valuation adjustments and provisions for loan losses (credit and country risks)	69 240	- 40 861	1 490	11 012	- 72	40 809 a)
Other provisions	14 325	0	41	0	- 10 657	3 709
Total valuation adjustments and provisions as per balance sheet	83 565	- 40 861	1 531	11 012	- 10 729	44 518

a) Valuation adjustments and provisions for loan losses includes provisions for credit risks for doubtful loans and possible other claims in connection with unauthorised and alleged transaction of a former management member identified in the year 2001.

Capital structure and share holders with participations above 5% of voting rights – Bank

(in 1000 Swiss Francs)

	2004			Preceding year		
	Total nominal value	Number of units	Dividend bearing capital	Total nominal value	Number of units	Dividend bearing capital
Share capital						
– Registered shares A (100.–)	13 350	133 500	13 350	13 350	133 500	13 350
– Bearer shares B (500.–)	19 650	39 300	19 650	19 650	39 300	19 650
Total capital	33 000	172 800	33 000	33 000	172 800	33 000

	2004		Preceding year	
	Nominal value	Voting rights in %	Nominal value	Voting rights in %
Significant shareholders of Bank Leumi le-Israel (Switzerland)				
Bank Leumi le-Israel B.M., Tel Aviv	23 197	88.65 %	23 057	88.49 %

	2004		Preceding year	
	Nominal value	Voting rights in %	Nominal value	Voting rights in %
Significant shareholders of Bank Leumi le-Israel B.M., Tel Aviv				
Staat Israel	134 202	36.29 %	148 479	36.90 %
Shlomo Eliahu Holdings Ltd. and its subs. and ass. companies	36 971	10.00 %	40 223	10.00 %
Migdal Insurance Holdings Ltd.	0	0.00 %	36 521	9.08 %
Bank Hapoalim Funds	20 878	5.65 %	21 137	5.25 %
Otzar Hityashvut Hayehudin B.M.	18 745	5.07 %	20 393	5.07 %
Others	a)	a)	a)	a)

a) below 5%

Rate CHF/ILS

0.2615

0.2845

Statement of changes in shareholders' equity – Bank

(in 1000 Swiss Francs)

Shareholders' equity, at beginning of current year

Share capital	33 000
General legal reserve	34 735
Other reserves	139 720
Accumulated profit	6 553

Total shareholders' equity at beginning of current year

(before profit distribution) **214 008**

+ Capital increase / decrease	0
+ Premium over nominal value	0
+/- Other allocations to/from reserves	0
- Dividends and other distributions of retained earnings brought forward	0
+ Net profit	11 078

Total shareholders' equity, at end of current year

(before profit distribution) **225 086**

<i>Thereof</i> Share capital paid-in	33 000
General legal reserve	34 735
Other reserves	146 270
Accumulated profit	11 081

Due from and due to affiliated companies and loans and exposures to the members of the bank's governing bodies – Bank

(in 1000 Swiss Francs)

	2004	Preceding year
Due from affiliated companies	27 824	27 894
Due to affiliated companies	9 062	9 191
Loans and exposures to the members of the bank's governing bodies	442	476

Transactions with affiliated companies and members of the bank's governing bodies

Within the group the bank represents the center of competence regarding the distribution of structured products. For the sale of such products through group companies, the bank pays the group retrocessions on a case to case basis based on the particular transaction. In the year 2004 an total of TCHF 659 had been paid and had been recorded under results from trading operations as well as commission on income on securities and investment transactions.

Members of the board of directors, members of the management as well as ordinary employees benefit from special conditions, which are stipulated in the guidelines for employees.

The conditions applied for other affiliates companies (such as security transactions, loans and compensations on deposits) are equal to clients conditions.

Analysis of fiduciary transactions – Bank

(in 1000 Swiss Francs)

	2004	Preceding year	Changes
Fiduciary transactions			
– Fiduciary placements with third party banks	1 041 799	1 103 188	– 61 389
– Fiduciary placements with banks of the group	121 333	158 180	– 36 847
– Fiduciary credits	38 476	46 788	– 8 312
Total fiduciary transactions	1 201 608	1 308 156	– 106 548

Assets under Management – Bank

(in Mio. Swiss Francs)

	2004	Preceding year
Assets under management:		
Assets in own mutual funds	180	230
Assets in managed accounts	630	537
Other assets under management	4 783	4 970
Total clients assets (incl. twice counted amounts)	5 593	5 737
thereof twice counted amounts	180	230
net balance of assets inflow-outflow	–8	162

5. Information on the income statement

Analysis of results from trading operations – Bank

(in 1000 Swiss Francs)

	2004	Preceding year	Changes
Results from trading operations			
– Foreign exchange and other business segments	5 487	4 633	854
– Precious metals	5	2	3
– Securities	881	685	196
– Income structured product activities	11 388	12 906	– 1 518
– Interest rate instruments	– 260	– 14	– 246
Total results from trading operations	17 501	18 212	– 711

Other information on the income statement – Bank

Explanation of significant losses, extraordinary income and expense as well as with respect to the significant release of hidden reserves

For the year under review valuation adjustments and provisions had been increased by CHF 10,7 Mio. This increase was created in connection with the alleged unauthorized transactions of a former management member as identified in 2001.

Under the extraordinary income there is a release included of hidden reserves in the amount of CHF 10,7 Mio.

6. Sundries

Informations regarding market risks in the trading book – Bank

(12 months average in 1000 Swiss Francs)

	2004	Preceding year	Changes
Debt instruments including derivatives	23 602	23 504	98
Participation certificates including derivatives	753	809	- 56
Foreign currency positions including derivatives	4 476	7 823	- 3 347
Precious metal positions including derivatives	69	99	- 30

Report of the statutory auditors
to the general meeting of
Bank Leumi le-Israel (Switzerland)
Zurich

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes / pages 31 to 40) of Bank Leumi le-Israel (Switzerland) for the year ended 31 December 2004.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Pascal Portmann



Thomas Romer

Zurich, 11 March 2005

Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of the available earnings

The Israeli Economy in 2004

Economic growth

Ongoing recovery in economic activity was evident in 2004. In late December, the Central Bureau of Statistics (CBS) published its updated 2004 estimates for GDP growth and other national account components. Of particular note was an increase in the year's GDP growth estimate, from 4.0 % to 4.2 %. This increase is attributable to the business sector, which grew by an estimated 6.0 % in 2004, some 0.5 % more than originally forecast. Third quarter 2004 data indicated a significant decline in the unemployment rate to approximately 10.2 %. This is the first positive significant change in the labour market since the beginning of the economic downturn in the last quarter of 2000.

The principal reasons for this expanded activity were the rapid growth of Israeli exports, aided by the global economic recovery, and burgeoning private consumption.

Export growth was the main driver of business sector growth in 2004. Exports of goods and services rose by 14.2 %, an increase that reflects a 13.3 % growth in the export of goods and a 15.5 % rise in the exports of services. Among the business areas contributing to service sector export growth was tourism, which expanded by 30 % in 2004.

Private consumption rose by 5.3 %, an increase that includes a 16.3 % surge in durable goods consumption and a 4.2 % rise in non-durable goods consumption. The factors behind this increase in private consumption since mid-2003 include the rebound of Israeli consumer confidence and the growth in capital markets that subsequently led to an increase in the value of the public's financial assets.

Investments in fixed assets continued to decline over the year, albeit at a slower pace than previously. The 1.8 % decline in fixed asset investments includes a 5.5 % drop in residential construction and a 0.5 % decrease in all other types of investments. There was a notable resurgence of investments in inventories, following a sharp decline in 2003. This may be a good indicator of business sector confidence.

Unlike private consumption, there was a downward trend in government consumption, which dropped by 2.3 % (2003: 2.0 %). However, the decline in government consumption,

both in real terms and as a percentage of GDP, has helped to free up resources for business sector use and expansion.

The government's fiscal accounts

The government's budget deficit in 2004, excluding net credit given, amounted to approximately NIS 20.4 billion (approximately 3.9 % of GDP), compared to a budgeted deficit of approximately NIS 20.6 billion.

State revenues from taxes amounted to approximately NIS 151.5 billion, representing a real increase of approximately 5.8 % to 2003's results. The increase stems from a growth in revenues from both direct and indirect taxes. Despite the fact that there were overall tax cuts (net) of approximately NIS 4.5 billion (equivalent to US\$ 1 billion and close to 1 % of GDP) during the year, monthly revenues from income tax, customs, and VAT continued to be stable after their substantial increase in mid-2003.

Inflation, the exchange rate and monetary policy

The CPI index rose by 1.2 % in 2004, in line with the price stability target range set by the government of between 1 and 3 %.

During the year, the shekel appreciated by 1.6 % against the US dollar which is attributable to the weakness of the dollar in world markets. The shekel depreciated by only 0.8 % against the currency basket, which tends to filter out much of the cross-rate impact. This reflects modest depreciation rates against the non-US dollar currencies included in the basket, namely the Euro - 6.2 % depreciation, the UK pound - 5.8 % depreciation and 2.6 % against the Japanese yen.

The Bank of Israel's interest rate, which stood at 5.2 % in December 2003, and was lowered to 4.1 % in April 2004, remained unchanged until late November, at which point an additional cut was made, bringing the interest rate to 3.9 % at the end of the year. The interest rate reduction can be explained by the Bank of Israel's view that developments in inflation, the FX market and the budget enable the maintenance of price stability with a lower interest level.

Foreign trade

Imports of goods into Israel amounted to approximately US\$ 40.5 billion in 2004, and exports amounted to approximately US\$ 33.7 billion. Thus, Israel's trade deficit amounted to approximately US\$ 6.8 billion, about US\$ 1 billion more than in 2003 (in nominal \$ terms).

Exports and imports, which increased throughout the year by approximately 21 % and 20 %, respectively, generally reflected a double-digit increase in all primary components. It is clear that part of the increase in dollar terms, stems from the effects of changes in exchange rates around the world (for example, a weakness in the Dollar vis-à-vis the

Euro), as well as a cut in import and purchase taxes in Israel. The level of economic activity, which drove foreign trade upwards, did, nonetheless, increase substantially. The impact of the rapid pace of global growth, especially in the high technology sectors in which Israel has a comparative advantage, was particularly notable in 2004.

The Israeli capital market in 2004

The public's financial assets

The public's portfolio of financial assets amounted to approximately NIS 1,513 billion at the end of 2004, representing an increase of some NIS 146 billion (approximately 10.7 %) compared to their value at the end of 2003. About two-thirds of the increase in the value of the portfolio stemmed from an increase in the value of shares in Israel and abroad, primarily against the background of price gains on the stock market, but also due to growth in new issues on the securities market. Hence, the proportion of shares in the public's portfolio of financial assets reached approximately 24.9 %, a level that last occurred in 2000.

Non-linked bonds

In 2004 the "Shachar" class of fixed, non-linked shekel bonds recorded a return of approximately 6.4 %. However, development of the bonds' yields throughout the year was not uniform. Investments in the 12-month Makam T-bills registered a return of approximately 5.1 %.

CPI-linked bonds

CPI-linked government bonds yielded approximately 5.1 % in 2004, just a little below the return on non-linked government bonds.

Another interesting aspect was the increase in private bond issues by Israeli firms. According to data from the Bol, the private sector raised approximately NIS 6.5 billion in 2004 through the issue of private bonds (2003: approximately NIS 3.7 billion). The increase in bond issues by the private sector is also reflected in the percentage of private bonds that were part of the total amount of tradable bonds. This percentage rose from approximately 8.7 % at the end of 2003 to approximately 14.1 % in November 2004.

The rapid development of the private bond market can be attributed to a combination of factors. Firstly, real yields on government bonds declined sharply compared to previous years, leading investors to seek out alternative investments with higher yields than those offered on CPI-linked government bonds. Secondly, the government stopped issuing designated government bonds with higher real yields to pension funds. Thirdly, the slow elimination of "Gilboa" bonds (US dollar-linked government bonds) from the bond market allowed private financial institutions to enter the market by offering substitutes for these bonds, such as US

dollar-linked private bonds backed by dollar denominated assets, with high credit ratings.

The stock market

The Tel-Aviv Stock Exchange continued to post gains in 2004. The TA-100 index of the most actively traded shares rose by 19 % and the TA-25 index of blue chip shares by 23 %. The small cap "Yeter" index, which includes those shares that are not part of the TA-100 index, rose by 32.2 % and the Tel-Tech index of high technology shares by 16 %.

Of particular note was the rise of the Tel Aviv Stock Exchange during the last two months of 2004. This was due to the expected improvement in Israel's credit rating. This improvement started to materialize in early 2005 when the S&P international credit rating agency announced that it had changed its outlook on Israel from "negative" to "stable". In the geo-political sphere, the election of Abu-Mazen to chairman of the Palestinian Authority (PA), and the stability within the PA political system were accepted as positive signs by investors.

In addition to the increase in share prices, there was also a significant rise in turnover compared to 2003. An international comparison shows that the Tel Aviv Stock Exchange (TASE) performed exceptionally with an impressive increase in trading levels of shares compared to most other large stock markets around the world. This apparently indicates, among other things, that investors believe that there exists the potential to achieve high returns in Israel, taking into consideration, of course, the level of risk involved in investments.

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