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## **Independent Auditors' Report to the Governor and Management of the Bank of Israel**

We have audited the accompanying balance sheets of the Bank of Israel (hereinafter "the Bank") as of December 31, 2008 and 2007, and the related statements of operations and changes in equity of the Bank for each of the years ending on such dates (hereinafter "the financial statements") appearing on pages 6 to 42. These financial statements are the responsibility of the Governor and Management of the Bank. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Manner of Auditor's Performance)-1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management of the Bank, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2008 and 2007, and the results of its operations and changes in equity for each of the years ending on such dates, in conformity with generally accepted accounting principles in Israel (Israeli GAAP), adapted for principles applicable to central banks, as detailed in Note 1A.

Somekh Chaikin  
Certified Public Accountants (Isr.)

February 23, 2009