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AUDITORS' REPORT

To the Governor and the Supervisory Council of the BANK OF ISRAEL

We have audited the accompanying Balance Sheets of the Bank of Israel (hereinafter, "the Bank") as of December 31, 2014 and 2013, and the related statements of operations and changes in equity of the Bank for each of the years then ended (hereinafter, "the financial statements") featured on pages 6-34 below. These financial statements are the responsibility of the Bank's Supervisory Council, Governor, Director General and Director of the Accounting, Payment and Settlement Systems Department. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of 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 Bank's management, 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, 2014 and 2013, and the results of its operations and changes in its equity for each of the years then ended, in conformity with accounting principles generally accepted in Israel ("Israeli GAAP"), adapted for principles applicable to central banks, as detailed in Note 1a.

Tel Aviv
March 26, 2015

Kost Forer Gabbay & Kasierer
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