



Bank of Israel

Comptroller's Office

Financial Statements for 2007

Israel's Payment
and Settlement Systems

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Bank of Israel

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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, 2007 and 2006, and the related statements of operations and changes in equity of the Bank for each of the two years, the last of which ended December 31, 2007 (hereinafter "the financial statements") appearing on pages 6 to 38. 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 audit.

We conducted our audits in accordance with generally accepted auditing standards, 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 audit provides 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, 2007 and 2006, and the results of its operations and changes in equity for each of the two years, the last of which ended December 31, 2007, in conformity with generally accepted accounting principles, adapted for principles applicable to central banks, as detailed in Note 1A.

As explained in Note 1C, the abovementioned financial statements are stated in reported amounts, in accordance with the standards of the Israeli Accounting Standards Board.

Somekh Chaikin
Certified Public Accountants (Isr.)

February 26, 2008