

Summary Translation of Immediate Report

Bank Leumi le-Israel B.M.

Registration No. 520018078

Securities of the Corporation are listed on The Tel Aviv Stock Exchange

Abbreviated Name: Leumi

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25 February 2010

2010-01-395796

To: Israel Securities Authority (www.isa.gov.il)
The Tel Aviv Stock Exchange (www.tase.co.il)

Immediate Report

Nature of the Event: Arab Israel Bank – Financial Statements

Bank Leumi le-Israel B.M. announces that a subsidiary of the Bank, Arab Israel Bank Ltd., today published its financial statements for 2009.

See the attached Annex.

Date and time at which the corporation first became aware of the matter being the subject of the report: 25 February 2010 Time: 11:48.

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Net profit for the Arab Israel Bank of NIS 79.3 million in 2009

Return on Capital - 21.0%

The Israel Arab Bank today published its financial statements for 2009. The bank's net profit during the reviewed period was NIS 79.3 million, compared with NIS 73.5 million, an increase of 7.9%. The return of net profit on shareholders' equity in 2009 amounted to 21.0%, compared with 19.5% in 2008.

During the fourth quarter of 2009, net profit amounted to NIS 13.6 million, compared with NIS 9.9 million during the corresponding period of 2008, an increase of some 37%.

The bank's total income in 2009 amounted to NIS 333.9 million, compared with NIS 336.6 million in 2008, a decrease of 0.8%.

The bank's **shareholders' equity** amounted to NIS 330.4 at the end of 2009, compared with NIS 344.0 at the end of 2008, a decrease of some 4%. The change in shareholders' equity is explained mainly by the following:

- An increase in capital resulting from the annual profit in the amount of NIS 79.3 million.
- A decrease in capital resulting from the distribution of a dividend in the amount of NIS 80.0 million.
- A decrease in capital resulting from net adjustments to fair value of available for sale debentures, in the amount of NIS 14.4 million, primarily as a result of the realization of profits.

Profit was affected by the following items:

- A decrease in net interest income before provision for doubtful debts, in the amount of NIS 2.8 million, as a result of a decrease in income from interest and linkage from credit to the public, which was partly offset by a net realization of profit from available for sale debentures in the amount of NIS 15.0 million.
- Provisions for doubtful debts decreased by NIS 0.7 million, a decrease of 2.6% compared to 2008.
- Operating expenses dropped by NIS 11.3 million, primarily due to positive returns on the severance pay fund and provident fund that also serve as a reserve for hedging employee pension obligations, compared with negative returns in 2008.

About the bank

The Leumi Group's Israel Arab Bank provides banking and financial services to the Arab sector, in the northern part of the country, and in the Northern Triangle. The bank has 28 branches, the newest of which is the Yafia branch which was opened in December of 2009.

The bank is active in the Arab society and community, primarily in the educational, cultural, sports and health fields. As a part of its involvement, the bank has for three years supported the "El Rawad" program which provides assistance for the absorption of young academics in the labor market in the fields of their expertise, the "Bene Sachnin" soccer team, the "Mifne" music program in cooperation with the Music School of Tel Aviv University and the Israel Philharmonic Orchestra, and the "Young Entrepreneurs" Project, as a part of the national project in which the bank adopts a number of groups of young people from the Arab sector.

Principal Financial Data of the Israel Arab Bank

Profit and Profitability (NIS millions)			
	2009	2008	% Change
Net interest income before the provision for doubtful debts	232.2	235.0	(1.2)
Provision for doubtful debts	25.8	26.5	(2.6)
Operating and other income	101.7	101.6	0.1
Total income less provision for doubtful debts	308.1	310.1	(0.6)
Operating and other expenses	176.9	188.2	(6.0)
Net profit	79.3	73.5	7.9
Return on Net Profit	21.0%	19.5%	

Development of Main Balance Sheet Items (NIS millions)			
	As at 31 December 2009	As at 31 December 2008	% Change
Total balance sheet	4,759.0	4,771.8	(0.3)
Credit to the public	2,957.8	2,884.9	2.5
Deposits of the public	3,161.3	3,216.7	(1.7)
Shareholders' equity	330.4	344.0	(4.0)

Ratio of capital to risk equity, Basel 2	15.91%		
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Ratio of capital to risk equity, Basel 1	19.18%	17.84%	
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