

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

Immediate Report

Nature of Event: Approval of Arab Israel Bank - Financial Statements

Bank Leumi le-Israel B.M. (the "Bank") announces that a subsidiary of the Bank, Arab Israel Bank Ltd., has published its financial statements as of 31 March 2011.

See the attached Annex.

Date and time at which the corporation first became aware of the matter being the subject of the report: 25 May 2011 Time: 12:03.

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Financial Statements

Summarized Balance Sheet For 31 March 2011 Reported Amounts

	Note	31 March 2011	31 March 2010	31 December 2010
		(Unaudited)	(Unaudited)	(Audited)
(NIS millions)				
Assets				
Cash and bank deposits		1,203.9	1,056.9	1,144.4
Securities	2, 10	486.5	557.4	(*) (**) 616.2
Credit to the public		3,418.6	(*) (**) 3,120.1	(*) (**) 3,465.7
Provision for credit losses	3	(50.3)	(*) (**) (158.5)	(172.9)
Credit to the public, net		3,368.3	2,961.6	3,292.8
Buildings and equipment		56.3	48.2	57.2
Other assets		56.5	43.6	49.7
Total assets		5,171.5	4,667.7	5,160.3
Liabilities and equity				
Deposits of the public		3,527.9	3,126.2	3,436.6
Deposits from banks		946.8	859.1	1,026.2
Subordinated capital notes		151.7	151.3	156.0
Other liabilities		201.9	182.5	197.0
Total liabilities		4,828.3	4,319.1	4,815.8
Shareholders' equity	4	343.2	348.6	344.5
Total liabilities and equity		5,171.5	4,667.7	5,160.3

* On 1 January 2011, the company adopted, for the first time, the Supervisor of Banks' Directive regarding "Measurement and Disclosure of Impaired Debts, Credit Risk and Credit Loss Provision". The comparative numbers for the previous years have not been restated, and the data for 31 March 2011 are therefore not comparable to the data from 2010 that are marked with an asterisk. For additional explanations regarding the impact of the initial adoption of the Directive, see note 1(d) and (e) below.

** The data were reclassified in order to match them to the item captions and to the presentation method for the current period. See note 1(d) and (e) below.

S. Zusman	D. Giter	Y. Tzur
Chairman of the Board of Directors	CEO	Deputy CEO and Chief Accountant

Financial statements approved for publication: 25 May 2011

The notes to the summarized financial statements constitute an integral part thereof.

Financial Statements

Summarized Profit and Loss Statement For the period ending 31 March 2011 Reported Amounts

	Note	For the three months ending 31 March		Year ending 31 December
		2011	2010	2010
		Unaudited	Unaudited	Audited
(NIS millions)				
Net interest income before provision for credit losses	8	63.6	56.2	241.2
Provision for credit losses	3	1.3	4.9	23.7
Net interest income after provision for credit losses		62.3	51.3	217.5
Operating and other income				
Operating commissions		27.7	24.4	102.4
Other income		-	-	1.4
Total operating and other income		27.7	24.4	103.8
Operating and other expenses				
Salary and related expenses		29.2	26.7	110.7
Maintenance and depreciation for buildings and equipment		7.5	6.6	27.8
Other expenses		15.7	14.4	65.5
Total operating and other expenses		52.4	47.7	204.0
Pre-tax profit		37.6	28.0	117.3
Provision for taxes		13.8	9.9	42.2
Net profit for the period		23.8	18.1	75.1
Profit per share			(NIS)	
Net profit for the period		23.45	17.83	73.99
Weighted average of the number of shares of NIS 0.01 nominal value each used for calculating basic profit per share		1,015,000	1,015,000	1,015,000

The notes to the summarized financial statements constitute an integral part thereof.

Financial Statements

**Summarized statement of changes in shareholders' equity
For the period ending 31 March 2011
Reported Amounts**

For the three months ending on 31 March

	2011					2010				
	Fully paid share capital and capital funds	Adjustments for presentation of available for sale securities at fair value	Capital fund from transactions with controlling shareholders	Retained earnings	Total	Fully paid share capital and capital funds	Adjustments for presentation of available for sale securities at fair value	Capital fund from transactions with controlling shareholders	Retained earnings	Total
	(Unaudited)									
Balance as of start of period	26.6	1.7	14.7	301.5	344.5	26.6	2.0	15.4	286.4	330.4
Cumulative effect, net of taxes, of the initial implementation on 1 January 2011 of the Directive concerning the measurement of impaired debts and the provision for credit losses	-	-	-	(22.9)	(22.9)	-	-	-	-	-
Net profit for the accounting period	-	-	-	23.8	23.8	-	-	-	18.1	18.1
Adjustments for presentation of available for sale securities at fair value	-	(3.3)	-	-	(3.3)	-	0.9	-	-	0.9
Adjustments from presentation of available for sale securities that have been restated to profit and loss	-	(0.1)	-	-	(0.1)	-	(0.7)	-	-	(0.7)
Effect of related taxes	-	1.2	-	-	1.2	-	(0.1)	-	-	(0.1)
Balance at the end of the period	26.6	(0.5)	14.7	302.4	343.2	26.6	2.1	15.4	304.5	348.6

Financial Statements

Summarized statement of changes in shareholders' equity

For the period ending 31 March 2011

Reported Amounts

For the year ended on 31 December 2010

	Fully paid share capital and capital funds	Adjustments for presentation of available for sale securities at fair value	Capital fund from transactions with controlling shareholders	Retained earnings	Total
	Audited				
Balance as of start of period	26.6	2.0	15.4	286.4	330.4
Net profit for the accounting period	-	-	-	75.1	75.1
Dividend	-	-	-	(60.0)	(60.0)
Adjustments for presentation of available for sale securities at fair value	-	0.6	-	-	0.6
Adjustments from presentation of available for sale securities that have been restated to profit and loss	-	(1.2)	-	-	(1.2)
Effect of related taxes	-	0.3	-	-	0.3
Employee benefits from sales of shares in the parent company, net	-	-	(0.7)	-	(0.7)
Balance at the end of the period	26.6	1.7	14.7	301.5	344.5

The notes to the summarized financial statements constitute an integral part thereof.

Financial Statements
Summarized cash flow statement
For the period ending 31 March 2011
Reported Amounts

	For the three months ending 31 March	For the three months ending 31 March	Year ending 31 December
	2011	2011	2010
	Unaudited	Unaudited (NIS millions)	Audited
Cash flows from current operations			
Net profit	23.8	18.1	75.1
Adjustments required to present cash from operations:			
Depreciation and amortization of buildings and equipment	2.3	1.9	7.4
Provision for credit losses	1.3	4.9	23.7
Profit from sale of available-for-sale securities, net	(0.1)	(0.7)	(1.2)
Interest and linkage increments for securities held to maturity	-	(0.1)	0.2
Loss from sale of buildings and equipment	-	-	(0.3)
Deferred taxes, net	0.9	(0.5)	(1.7)
(Decrease) Increase in surplus of reserves for severance pay, pension, vacation and jubilee grants, beyond the required fund	2.7	(1.1)	1.7
Provisions for adjustments included in investment and financing activity	(4.3)	(2.2)	2.5
Net cash from current operations	26.6	20.3	107.4
Cash flows for asset transactions			
Proceeds from redemption of securities held to maturity	-	-	11.9
Purchase of available-for-sale securities	(31.5)	(5.5)	(233.3)
Proceeds from sale of available-for-sale securities	146.2	20.6	61.4
Proceeds from redemption of available-for-sale securities	11.7	137.1	253.2
Deposits in banks, net	(39.1)	(35.1)	(132.9)
Credit to the public, net	(111.5)	(8.7)	(358.7)
Purchase of buildings and equipment (a)	(4.0)	(1.5)	(12.7)
(Decrease) Increase in other assets	5.3	2.0	(0.9)
Net cash used for asset transactions	(22.9)	108.9	(412.0)
Cash flows from liabilities and equity transactions			
Deposits of the public, net	91.3	(35.1)	275.3
Deposits from banks, net	(79.4)	(78.6)	88.5
(Decrease) Increase in other liabilities	4.8	8.2	14.2
Dividend paid to shareholders	-	-	(60.0)

Financial Statements

Summarized cash flow statement

For the period ending 31 March 2011

Reported Amounts

Net cash from liabilities and equity transactions	16.7	(105.5)	318.0
Increase in cash	20.4	23.7	13.4
Cash balance at start of period	194.5	181.1	181.1
Cash balance at end of period	214.9	204.8	194.5

(a) Non-cash asset and liabilities transactions during the reported period:

At the end of March 2011, the balance of fixed assets purchased with supplier credit amounted to NIS 1.5 million.

At the end of March 2010, the balance of fixed assets purchased with supplier credit amounted to NIS 0.6 million.

At the end of December 2010, the balance of fixed assets purchased with supplier credit amounted to NIS 4.1 million.

The notes to the summarized financial statements constitute an integral part thereof.