

T121
Public

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

Leumi House, 34 Yehuda Halevi Street, Tel Aviv 65546

Phone: + 972 3 5148111, + 972 3 5149419; Facsimile: + 972 3 5149732

Electronic Mail: Yaelru@bll.co.il

16 November 2010
Reference: 2010-01-681465

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

Immediate Report

Nature of Event: Arab Israel Bank - Financial Statements

Bank Leumi le-Israel B.M. announces that a subsidiary of the Bank, Arab Israel Bank Ltd., published its financial statements as at 30 September 2010.

See the attached Annex.

Date and time at which the corporation first became aware of the matter being the subject of the report: 15 November 2010 Time: 14:00.

Name of Electronic Reporter: Yael Rudnicki, Position: Group Secretary
POB 2 Tel Aviv 61000, Phone: + 972 3 5149419, Facsimile: + 972 3 5149732, Electronic Mail:
Yaelru@bll.co.il

Financial Statements

Summary Balance Sheet As at 30 September 2010 Reported Amounts

	Note	30 September 2010	30 September 2009	31 December 2009
		(Unaudited)	(Unaudited)	(Audited)
(NIS millions)				
Assets				
Cash and bank deposits		1,075.1	980.8	998.1
Securities	2, 9	576.8	846.6	708.5
Credit to the public		3,139.3	2,925.4	2,957.8
Buildings and equipment		53.9	46.7	48.9
Other assets		43.0	42.2	45.7
Total assets		4,888.1	4,841.7	4,759.0
Liabilities and equity				
Deposits of the public		3,298.8	3,137.3	3,161.3
Deposits from banks		867.8	1,037.4	937.7
Subordinated capital notes		154.3	102.6	153.5
Other liabilities		184.0	166.3	176.1
Total liabilities		4,504.9	4,443.6	4,428.6
Shareholders' equity	4	383.2	398.1	330.4
Total liabilities and equity		4,888.1	4,841.7	4,759.0

S. Sussman

Chairman of the Board
of Directors

D. Giter

CEO

Y. Tzur

Deputy CEO
and Chief Accountant

Financial statements approved for publication: 15 November 2010

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

Financial Statements

Summary Profit and Loss Statement For the period ending 30 September 2010 Reported Amounts

	Note	For the three months ending 30 September		For the nine months ending 30 September		Year ending 31 December
		2010	2009	2010	2009	2009
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
(NIS millions)						
Net interest income before provision for doubtful debts	7	60.6	54.2	175.9	175.0	232.2
Provision for doubtful debts	3	5.9	5.3	17.4	18.3	25.8
Net interest income after provision for doubtful debts		54.7	48.9	158.5	156.7	206.4
Operating and other income						
Operating commissions		25.8	23.7	74.6	71.3	96.6
Other income		0.7	1.8	0.7	4.2	5.1
Total operating and other income		26.5	25.5	75.3	75.5	101.7
Operating and other expenses						
Salary and related expenses		25.5	23.0	81.0	64.9	94.7
Maintenance and depreciation for buildings and equipment		7.1	6.3	20.7	18.8	26.0
Other expenses		16.7	12.7	47.7	38.8	56.2
Total operating and other expenses		49.3	42.0	149.4	122.5	176.9
Pre-tax profit		31.9	32.4	84.4	109.7	131.2
Provision for taxes		11.6	15.9	31.0	44.0	51.9
Net profit for the period		20.3	16.5	53.4	65.7	79.3

Financial Statements

Summary Profit and Loss Statement For the period ending 30 September 2010 Reported Amounts

Net profit per share	(NIS)				
	Net profit for the period	20.00	16.26	52.61	64.73
Weighted average of the number of ordinary shares of NIS 0.01 par value each used for calculating basis profit per share	1,015,000	1,015,000	1,015,000	1,015,000	1,015,000

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

Financial Statements

**Summary statement of changes in shareholders' equity
For the periods ending 30 September 2010
Reported Amounts**

For the three months ending on 30 September

	2010					2009				
	Fully paid share capital and capital funds	Adjustments for presentation of available for sale securities at fair value	Capital fund from transactions with controlling shareholder	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 shareholder	Retained earnings	Total
	(Unaudited) (NIS millions)									
Balance as of start of period	26.6	2.8	14.7	319.5	363.6	26.6	5.4	14.7	336.3	383.0
Net profit for the accounting period	-	-	-	20.3	20.3	-	-	-	16.5	16.5
Adjustments for presentation of available for sale securities at fair value	-	(1.0)	-	-	(1.0)	-	(1.6)	-	-	(1.6)
Adjustments from presentation of available for sale securities that have been restated to profit and loss	-	-	-	-	-	-	(0.5)	-	-	(0.5)
Effect of related taxes	-	0.3	-	-	0.3	-	0.7	-	-	0.7
Balance at the end of the period	26.6	2.1	14.7	339.8	383.2	26.6	4.0	14.7	352.8	398.1

Financial Statements

**Summary statement of changes in shareholders' equity
For the periods ending 30 September 2010
Reported Amounts**

For the nine months ending on 30 September

	2010					2009				
	Fully paid share capital and capital funds	Adjustments for presentation of available for sale securities at fair value	Capital fund from transactions with controlling shareholder	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 shareholder	Retained earnings	Total
	(Unaudited) (NIS millions)									
Balance as of start of period (audited)	26.6	2.0	15.4	286.4	330.4	26.6	16.4	13.9	287.1	344.0
Net profit for the accounting period	–	–	–	53.4	53.4	–	–	–	65.7	65.7
Adjustments for presentation of available for sale securities at fair value	–	1.3	–	–	1.3	–	(5.1)	–	–	(5.1)
Adjustments from presentation of available for sale securities that have been restated to profit and loss	–	(1.2)	–	–	(1.2)	–	(14.2)	–	–	(14.2)
Effect of related taxes	–	–	–	–	–	–	6.9	–	–	6.9
Employee benefits from issue of parent company options, net	–	–	–	–	–	–	–	0.8	–	0.8
Employee benefits from sales of shares in the parent company, net	–	–	(0.7)	–	(0.7)	–	–	–	–	–
Balance at the end of the period	26.6	2.1	14.7	339.8	383.2	26.6	4.0	14.7	352.8	398.1

Financial Statements

**Summary statement of changes in shareholders' equity
For the periods ending 30 September 2010
Reported Amounts**

	For the year ended on 31 December 2009				
	Fully paid share capital and capital funds	Adjustments for presentation of available for sale securities at fair value	Capital fund from transactions with controlling shareholder	Retained earnings	Total
	(Audited)				
Balance as of start of period	26.6	16.4	13.9	287.1	344.0
Net profit for the accounting period				79.3	79.3
Dividend	–	–	–	(80.0)	(80.0)
Adjustments for presentation of available for sale securities at fair value	–	(7.5)	–	–	(7.5)
Adjustments from presentation of available for sale securities that have been restated to profit and loss	–	(15.0)	–	–	(15.0)
Effect of related taxes	–	8.1	–	–	8.1
Employee benefits from issue of parent company options, net	–	–	0.8	–	0.8
Employee benefits from sales of shares in the parent company, net	–	–	0.7	–	0.7
Balance at the end of the period	26.6	2.0	15.4	286.4	330.4

Financial Statements

**Summary statement of changes in shareholders' equity
For the periods ending 30 September 2010
Reported Amounts**

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

Financial Statements
Summary statement of cash flows
For the periods ending 30 September 2010
Reported Amounts

	For the three months ending 30 September		For the nine months ending 30 September		Year ending 31 December
	2010	2009	2010	2009	2009
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
NIS millions					
Cash flows from current operations					
Net profit	20.3	16.5	53.4	65.7	79.3
Adjustments required to present cash from operations:					
Depreciation and amortization of buildings and equipment	2.0	1.8	5.8	5.5	7.6
Provision for doubtful debts	5.9	5.3	17.4	18.3	25.8
Profit from sale of available-for-sale securities, net	-	(0.5)	(1.2)	(14.2)	(15.0)
Interest and linkage increments for securities held to maturity	(0.1)	-	(0.3)	-	-
Loss from realization of buildings and equipment	0.2		0.2		
Deferred taxes, net	0.7	5.0	(1.7)	11.9	13.3
(Decrease) increase in surplus of reserves for severance pay, pension, vacation and jubilee grants, beyond the required fund	(1.8)	(3.4)	1.4	(10.6)	(10.3)
Issue of options and shares by the parent company to employees	-	-	-	0.8	0.8
Provisions for adjustments included in investment and financing activity	1.5	0.8	0.8	2.6	3.5
Net cash from current operations	28.7	25.5	75.8	80.0	105.0
Cash flows for asset transactions					
Proceeds from redemption of securities held to maturity	-	-	11.9	0.2	-
Purchase of available-for-sale securities	(86.0)	(92.9)	(170.2)	(637.6)	(738.2)
Proceeds from sale of available-for-sale securities	-	36.3	39.9	430.8	667.3
Proceeds from redemption of available-for-sale securities	86.3	-	251.7	148.9	148.9
Deposits in banks, net	(37.2)	(20.7)	(110.9)	(5.9)	(35.6)
Credit to the public, net	(85.4)	(88.9)	(198.9)	(59.3)	(99.2)
Purchase of buildings and equipment (a)	(1.9)	(0.6)	(6.1)	(3.0)	(6.7)
(Increase) decrease in other assets	2.5	(2.4)	3.4	(7.5)	(10.0)
Net cash used for asset transactions	(121.7)	(169.2)	(179.2)	(133.4)	(73.5)

Financial Statements

Summary statement of cash flows

For the periods ending 30 September 2010

Reported Amounts

Cash flows from liabilities and equity transactions					
Deposits of the public, net	50.5	36.7	137.5	(79.4)	(55.4)
Deposits from banks, net	(21.4)	96.7	(68.9)	106.3	6.6
Increase (decrease) in other liabilities	6.4	9.1	1.9	(1.5)	6.9
Issue of subordinated capital notes	-	-	-	-	50.0
Dividend paid to shareholders	-	-	-	-	(80.0)
Net cash from liabilities and equity transactions	35.5	142.5	69.5	25.4	(71.9)
Decrease in cash	(57.5)	(1.2)	(33.9)	(28.0)	(40.4)
Cash balance at start of period	204.7	194.7	181.1	221.5	221.5
Cash balance at end of period	147.2	193.5	147.2	193.5	181.1

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

At the end of September 2010, the balance of fixed assets purchased with supplier credit amounted to NIS 5.8 million.

At the end of September 2009, the balance of fixed assets purchased with supplier credit amounted to NIS 0.3 million.

At the end of December 2009, the balance of fixed assets purchased with supplier credit amounted to NIS 0.9 million.

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