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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

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18 August 2010

Reference: 2010-01-590436

To: Israel Securities Authority ([www.isa.gov.il](http://www.isa.gov.il))  
The Tel Aviv Stock Exchange ([www.tase.co.il](http://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 June 2010.

See the attached Annex.

Date and time at which the corporation first became aware of the matter being the subject of the report: 18 August 2010 Time: 08:50.

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## Financial Statements

### Summary Balance Sheet As at 30 June 2010 Reported Amounts

	30 June 2010	30 June 2009	31 December 2009
	(Unaudited)	(Unaudited)	(Audited)
	(NIS millions)		
Assets			
Cash and bank deposits	1,095.4	961.3	998.1
Securities	578.0	791.6	708.5
Credit to the public	3,059.8	2,841.8	2,957.8
Buildings and equipment	50.5	47.9	48.9
Other assets	45.6	44.0	45.7
Total assest	4,829.3	4,686.6	4,759.0
Liabilities and equity			
Deposits of the public	3,248.3	3,100.6	3,161.3
Deposits from banks	889.2	940.7	937.7
Subordinated capital notes	152.8	101.8	153.5
Other liabilities	175.4	160.5	176.1
Total liabilities	4,465.7	4303.6	4,428.6
Shareholders' equity	363.6	383.0	330.4
Total liabilities and equity	4,829.3	4,686.6	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: 17 August 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 June 2010 Reported Amounts

	For the three months ending 30 June		For the six months ending 30 June		Year ending 31 December
	2010	2009	2010	2009	2009
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
(NIS millions)					
<b>Net interest income before provision for doubtful debts</b>	<b>59.1</b>	56.1	<b>115.3</b>	120.8	232.2
<b>Provision for doubtful debts</b>	<b>6.6</b>	6.0	<b>11.5</b>	13.0	25.8
<b>Net interest income after provision for doubtful debts</b>	<b>52.5</b>	50.1	<b>103.8</b>	107.8	206.4
<b>Operating and other income</b>					
<b>Operating commissions</b>	<b>24.4</b>	23.3	<b>48.8</b>	47.6	96.6
<b>Other income</b>	-	1.3	-	2.4	5.1
<b>Total operating and other income</b>	<b>24.4</b>	24.6	<b>48.8</b>	50.0	101.7
<b>Operating and other expenses</b>					
<b>Salary and related expenses</b>	<b>28.8</b>	20.3	<b>55.5</b>	41.9	94.7
<b>Maintenance and depreciation for buildings and equipment</b>	<b>7.0</b>	6.2	<b>13.6</b>	12.5	26.0
<b>Other expenses</b>	<b>16.6</b>	14.0	<b>31.0</b>	26.1	56.2
<b>Total operating and other expenses</b>	<b>52.4</b>	40.5	<b>100.1</b>	80.5	176.9
<b>Pre-tax profit</b>	<b>24.5</b>	34.2	<b>52.5</b>	77.3	131.2
<b>Provision for taxes</b>	<b>9.5</b>	12.4	<b>19.4</b>	28.1	51.9
<b>Net profit for the period</b>	<b>15.0</b>	21.8	<b>33.1</b>	49.2	79.3
<b>Net profit per share</b>			(NIS)		
<b>Net profit for the period</b>	<b>14.78</b>	21.48	<b>32.61</b>	48.47	78.13
Weighted average of the number of ordinary shares of NIS 0.01 par value each used for calculating profit per share	<b>1,015,000</b>	1,015,000	<b>1,015,000</b>	1,015,000	1,015,000

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

For the three months ending on 30 June

	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	<b>26.6</b>	<b>2.1</b>	<b>15.4</b>	<b>304.5</b>	<b>348.6</b>	26.6	12.3	14.7	314.5	368.1
Net profit for the accounting period	-	-	-	<b>15.0</b>	<b>15.0</b>				21.8	21.8
Adjustments for presentation of available for sale securities at fair value	-	<b>1.4</b>	-	-	<b>1.4</b>	-	(7.3)	-	-	(7.3)
Adjustments from presentation of available for sale securities that have been restated to profit and loss	-	<b>(0.5)</b>	-	-	<b>(0.5)</b>	-	(3.4)	-	-	(3.4)
Effect of related taxes	-	<b>(0.2)</b>	-	-	<b>(0.2)</b>	-	3.8	-	-	3.8
Employee benefits from sales of shares in the parent company, net	-	-	<b>(0.7)</b>	-	<b>(0.7)</b>	-	-	-	-	-
Balance at the end of the period	<b>26.6</b>	<b>2.8</b>	<b>14.7</b>	<b>319.5</b>	<b>363.6</b>	26.6	5.4	14.7	336.3	383.0

Financial Statements

**Summary statement of changes in shareholders' equity**

**For the periods ending 30 June 2010**

**Reported Amounts**

For the six months ending on 30 June

	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)	<b>26.6</b>	<b>2.0</b>	<b>15.4</b>	<b>286.4</b>	<b>330.4</b>	26.6	16.4	13.9	287.1	344.0
Net profit for the accounting period	—	—	—	<b>33.1</b>	<b>33.1</b>	—	—	—	49.2	49.2
Adjustments for presentation of available for sale securities at fair value	—	<b>2.3</b>	—	—	<b>2.3</b>	—	(3.5)	—	—	(3.5)
Adjustments from presentation of available for sale securities that have been restated to profit and loss	—	<b>(1.2)</b>	—	—	<b>(1.2)</b>	—	(13.7)	—	—	(13.7)
Effect of related taxes	—	<b>(0.3)</b>	—	—	<b>(0.3)</b>	—	(6.2)	—	—	(6.2)
Employee benefits from issue of parent company options, net	—	—	—	—	—	—	—	0.8	—	0.8
Employee benefits from sales of shares in the parent company, net	—	—	<b>(0.7)</b>	—	<b>(0.7)</b>	—	—	—	—	—
Balance at the end of the period	<b>26.6</b>	<b>2.8</b>	<b>14.7</b>	<b>319.5</b>	<b>363.6</b>	26.6	5.4	14.7	336.3	383.0

Financial Statements

**Summary statement of changes in shareholders' equity**

**For the periods ending 30 June 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

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

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

	For the three months ending 30 June		For the six months ending 30 June		Year ending 31 December
	2010	2009	2010	2009	2009
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions				
<b>Cash flows from current operations</b>					
Net profit	15.0	21.8	33.1	49.2	79.3
Adjustments required to present cash from operations:					
Depreciation and amortization of buildings and equipment	1.9	1.9	3.8	3.7	7.6
Provision for doubtful debts	6.6	6.0	11.5	13.0	25.8
(Profit) loss from sale of available-for-sale securities, net	(0.5)	(3.4)	(1.2)	(13.7)	(15.0)
Interest and linkage increments for securities held to maturity	(0.1)	-	(0.2)	-	-
Deferred taxes, net	(1.9)	4.3	(2.4)	6.9	13.3
Increase (decrease) in surplus of reserves for severance pay, pension, vacation and jubilee grants, beyond the required fund	4.3	(4.0)	3.2	(7.2)	(10.3)
Issue of options and shares by the parent company to employees	-	0.8	-	1.8	0.8
Provisions for adjustments included in investment and financing activity	1.5	-	(0.7)	0.8	3.5
Net cash from current operations	26.8	27.4	47.1	54.5	105.0
<b>Cash flows for asset transactions</b>					
Proceeds from redemption of securities held to maturity	11.9	-	11.9	0.2	-
Purchase of available-for-sale securities	(78.7)	(142.0)	(84.2)	(544.7)	(738.2)
Proceeds from sale of available-for-sale securities	19.3	193.2	39.9	394.5	667.3
Proceeds from redemption of available-for-sale securities	28.3	0.7	165.4	148.9	148.9
Deposits in banks, net	(38.6)	(12.7)	(73.7)	14.8	(35.6)
Credit to the public, net	(104.8)	(5.9)	(113.5)	29.6	(99.2)
Purchase of buildings and equipment (a)	(2.7)	(1.0)	(4.2)	(2.4)	(6.7)
(Increase) decrease in other assets	(1.1)	(2.3)	0.9	(5.1)	(10.0)
Net cash used for asset transactions	(166.4)	30.0	(57.5)	35.8	(73.5)

Financial Statements

**Summary statement of cash flows**

**For the periods ending 30 June 2010**

**Reported Amounts**

<b>Cash flows from liabilities and equity transactions</b>					
Deposits of the public, net	<b>122.1</b>	(3.7)	<b>87.0</b>	(116.1)	(55.4)
Deposits from banks, net	<b>30.1</b>	(23.6)	<b>(48.5)</b>	9.6	6.6
Increase in other liabilities	<b>(12.7)</b>	1.0	<b>(4.5)</b>	(10.6)	6.9
Issue of subordinated capital notes	-	-	-	-	50.0
Dividend paid to shareholders	-	-	-	-	(80.0)
Net cash from liabilities and equity transactions	<b>139.5</b>	(26.3)	<b>34.0</b>	(117.1)	71.9
(Decrease) increase in cash	<b>(0.1)</b>	31.1	<b>23.6</b>	(26.8)	(40.4)
Cash balance at start of period	<b>204.8</b>	163.6	<b>181.1</b>	221.5	221.5
Cash balance at end of period	<b>204.7</b>	194.7	<b>204.7</b>	194.7	181.1

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

At the end of June 2010, the balance of fixed assets purchased with supplier credit amounted to NIS 2.1 million.

At the end of June 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.