

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

34 Yehuda Halevi Street, Tel Aviv 651316

Phone: 076-8858111, 076-889419; Facsimile: 076-8859732

Electronic Mail: Yaelru@bll.co.il

21 November 2013
Reference: 2013-01-198447

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 2013.

The full financial statements will be published on the company's website, at:
<http://www.aibank.co.il/Home03/Financial-reports/7954>

See attached Annex.

Date and time at which the corporation first became aware of the matter being the subject of the report: 20 November 2013 Time: 14:22.

The report was signed on behalf of the corporation, in accordance with regulation 5 of the Securities (Periodic and Immediate Reports), 1970, by Mr. Danny Giter, CEO of the Arab-Israel Bank, Ltd.

Name of Electronic Reporter: Yael Rudnicki, Position: Group Secretary
Yehuda Halevi Street 34, Tel Aviv 6513616, Phone: 076-8859419, Facsimile: 076-8859732,
Electronic Mail: Yaelru@bll.co.il

Financial Statements

Summary Balance Sheet As at 30 September 2013 Reported Amounts

		30 September 2013	30 September 2012	31 December 2012
	Note	(Unaudited)	(Unaudited)	(Audited)
(NIS millions)				
<u>Assets</u>				
Cash and bank deposits		1,594.5	1,412.9	1,467.0
Securities	2,11	475.4	501.6	397.9
Credit to the public	3	4,556.5	4,051.7	4,146.7
Allowance for credit losses	3	(57.2)	(50.6)	(54.1)
Net credit to the public		4,499.3	4,001.1	4,092.6
Buildings and equipment		70.4	65.4	68.6
Other assets		76.7	71.0	77.8
Total assets		6,716.3	6,052.0	6,103.9
<u>Liabilities and equity</u>				
Deposits of the public		4,485.9	4,172.3	4,344.8
Deposits from banks		1,286.2	982.5	823.8
Subordinated capital notes		154.3	155.4	157.1
Other liabilities ^(a)		263.7	239.6	251.4
Total liabilities		6,190.1	5,549.8	5,577.1
Shareholders' equity		526.2	502.2	526.8
Total liabilities and equity		6,716.3	6,052.0	6,103.9

(a) Of this: provision for credit losses for off-balance sheet credit instruments – NIS 2.7 million as of 30.9.2013, NIS 2.1 million as of 30.9.2012, and NIS 2.4 million as of 31.12.2012.

Z. Nahari	F. Azayza	D. Giter	Y. Tzur
Chairman of the Board of Directors	Director	CEO	Deputy CEO and Chief Accountant

Date of approval of financial statements – 20 November 2013

Financial Statements

Summary Profit and Loss Statement For the periods ended 30 September 2013 Reported Amounts

	Note	For the three month period ended 30 September		For the nine month period ended 30 September		For the year ended 31 December 2012
		2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)	(Audited)
NIS millions						
Interest income	8	103.2	101.2	289.5	300.7	388.4
Interest expenses	8	28.4	29.3	71.7	88.9	105.6
Net interest income		74.8	71.9	217.8	211.8	282.8
Expenses from provisions for credit losses	3	4.9	3.1	6.1	7.0	14.6
Net interest income after expenses in respect of credit losses		69.9	68.8	211.7	204.8	268.2
Non-interest income						
Non-interest finance income	9	0.6	2.1	4.5	2.4	5.3
Commissions		29.1	28.0	86.3	85.2	115.4
Other income (expenses)		2.3	(0.1)	3.9	2.2	2.4
Total non-interest income		32.0	30.0	94.7	89.8	123.1
Operating and other expenses						
Salaries and related expenses		32.6	29.5	99.1	95.3	127.7
Maintenance and depreciation of buildings and equipment		9.7	8.9	28.1	25.4	35.0
Other expenses		19.1	18.1	57.0	52.4	70.1
Total operating and other expenses		61.4	56.5	184.2	173.1	232.8
Profit before taxes		40.5	42.3	122.2	121.5	158.5
Provision for taxes on profit		12.9	13.9	42.0	42.4	55.4
Net profit		27.6	28.4	80.2	79.1	103.1
Basic and diluted profit per ordinary share				NIS		
Net profit		27.19	27.98	79.01	77.93	101.58
Number of ordinary shares of NIS 1 nominal value (weighted average) used as basis for calculating basic and diluted profit per share		1,015,000	1,015,000	1,015,000	1,015,000	1,015,000

Financial Statements
Condensed Consolidated Statement of Changes in Equity For the periods ended 30 September 2013
Reported Amounts

For the three months ended on 30 September

	2013					2012				
	Fully paid share capital and capital funds	Accumulated other comprehensive income (loss)(a)	Capital fund from transactions with controlling share-holders	Retained earnings	Total share-holders' equity	Fully paid share capital and funds	Accumulated other comprehensive income (loss)(a)	Capital fund from transactions with controlling share-holders	Retained earnings	Total share-holders' equity
	(Unaudited) NIS millions									
Balance as of start of period	26.6	1.7	15.1	455.1	498.5	26.6	3.1	15.1	430.1	474.9
Net profit for the period	-	-	-	27.6	27.6	-	-	-	28.4	28.4
Other comprehensive income (loss), net after effect of taxes(a)	-	0.1	-	-	0.1	-	(1.1)	-	-	(1.1)
Balance at the end of the period	26.6	1.8	15.1	482.7	526.2	26.6	2.0	15.1	458.5	502.2

(a) On 1 January 2013, the Bank implemented, for the first time, the directives of the Supervisor of Banks on the statement of comprehensive income. The directive required, inter alia, that all changes included in the Statement of Changes in Equity that relate to items included in Accumulated other comprehensive income would be included in a single sum. The breakdown of the components and changes in the Accumulated other comprehensive income will be presented in Note 12 "Accumulated other comprehensive income". The directive was implemented retroactively. Comparative data have been restated in order to conform them to the new manner of presentation. See also notes 1(D) and 1(E).

Financial Statements
Condensed Consolidated Statement of Changes in Equity For the periods ended 30 September 2013
Reported Amounts

For the nine months ended on 30 September

	2013					2012				
	Fully paid share capital and capital funds	Accumulated other comprehensive income (loss) (a)	Capital fund from transactions with controlling share-holders	Retained earnings	Total share-holders' equity	Fully paid share capital and capital funds	Accumulated other comprehensive income (loss)(a)	Capital fund from transactions with controlling share-holders	Retained earnings	Total share-holders' equity
	(Unaudited) NIS millions									
Balance as of start of period (audited)	26.6	2.6	15.1	482.5	526.8	26.6	2.4	15.1	379.4	423.5
Net profit for the period				80.2	80.2	-	-	-	79.1	79.1
Dividend				(80.0)	(80.0)	-	-	-	-	-
Other comprehensive income (loss), net after effect of taxes(a)	-	(0.8)	-	-	(0.8)	-	(0.4)	-	-	(0.4)
Balance at the end of the period	26.6	1.8	15.1	482.7	526.2	26.6	2.0	15.1	458.5	502.2

^(a) On 1 January 2013, the Bank implemented, for the first time, the directives of the Supervisor of Banks on the statement of comprehensive income. The directive required, inter alia, that all changes included in the Statement of Changes in Equity that relate to items included in Accumulated other comprehensive income would be included in a single sum. The breakdown of the components and changes in the Accumulated other comprehensive income will be presented in Note 12 "Accumulated other comprehensive income". The directive was implemented retroactively. Comparative data have been restated in order to conform them to the new manner of presentation. See also notes 1(D) and 1(E).

Financial Statements
Condensed Consolidated Statement of Changes in Equity For the periods ended 30 September 2013
Reported Amounts

For the year ended 31 December 2012

	Fully paid share capital and capital funds	Accumulated other comprehensive income (loss) ^(a)	Capital fund from transactions with controlling share-holder	Retained Earnings	Total
	(Audited)				
	(NIS millions)				
Balance as of start of period (audited)	26.6	2.4	15.1	379.4	423.5
Net profit for the period	–	–	–	103.1	103.1
Other comprehensive income, net after effect of taxes (a)	–	0.2	–	–	0.2
Balance at the end of the period	26.6	2.6	15.1	482.5	526.8

^(a) On 1 January 2013, the Bank implemented, for the first time, the directives of the Supervisor of Banks on the statement of comprehensive income. The directive required, inter alia, that all changes included in the Statement of Changes in Equity that relate to items included in Accumulated other comprehensive income would be included in a single sum. The breakdown of the components and changes in the Accumulated other comprehensive income will be presented in Note 12 “Accumulated other comprehensive income”. The directive was implemented retroactively. Comparative data have been restated in order to conform them to the new manner of presentation. See also notes 1(D) and 1(E).