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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

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

Electronic Mail: Yaelru@bll.co.il

20 May 2010

Reference: 2010-01-486375

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. (the "Bank") announces that a subsidiary of the Bank, Arab Israel Bank Ltd., has published its financial statements for the first quarter of 2010.

See the attached Annex attached.

Date and time at which the corporation first became aware of the matter being the subject of the report: 20 May 2010 Time: 08:00.

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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

20 May 2010

**Net profit for the Arab Israel Bank of NIS 18.1million during first quarter of 2010**

**Credit to the public amounts to some NIS 2.96 billion, an increase of 4.2% compared with the corresponding period in 2009**

**Net return on capital is 23.3% (on an annual basis)**

The **Arab Israel Bank** today published its financial statements for the first quarter of 2010. The **bank's net profit** during the reviewed period was NIS 18.1 million, compared with a net profit of NIS 27.4 million in the corresponding period in 2009, a decrease of 33.9%. The **return of net profit on shareholders' equity** (on an annual basis) amounted to 23.3% during the reviewed period, compared with 35.2% in the corresponding period of 2009.

**The decrease in profit during the first quarter of 2010 resulted primarily from the following reasons:**

- A decrease of 13.1% in net interest income before the provision for doubtful debts, resulting from the realization last year of net profits from the available for sale debentures in the amount of NIS 10.3 million, compared with NIS 0.7 million during the first quarter of 2010.
- An increase of NIS 5.1 million in salary expenses due to the increase in salary expenses and retirement benefits due to a reduction in the profits recorded by the reserve funds used to cover these liabilities.

In contrast, the provision for doubtful debts was reduced to NIS 4.9 million, compared with NIS 7.0 million in the corresponding period of 2009.

**Credit to the public** amounted to NIS 2,961.6 million, an increase of 4.2% compared with the corresponding period in 2009.

**The bank's total income** during the first quarter of 2010 amounted to NIS 80.6 million, compared with NIS 90.1 million in the corresponding period of 2009, a decrease of 10.5%. Of this, net interest income before the provision for doubtful debts had declined by NIS 8.5 million, operating commissions have increased by NIS 0.1 million and other income has decreased by NIS 1.1 million, primarily as a result of a decline in profits recorded by the reserve funds used to cover retirement benefit liabilities.

### **About the bank**

The Israel Arab Bank, which this year marks fifty years since its establishment, provides banking and financial services specifically adapted for the Arab sector, and is part of the Leumi Group. 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 supports the "Mifne" music program in cooperation with the Buchman Mehta Music School of Tel Aviv University and the Israel Philharmonic Orchestra, accompanied by Maestro Zubin Mehta, with the goal of promoting a future generation of young musicians and bringing together gifted young Arabs and Jews. The bank also sponsors the "Bene Sachnin" soccer team 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.

### **Main Financial Data for the Israel Arab Bank**

<b>Profit and Profitability (NIS millions)</b>			
	<b>First quarter of 2010</b>	<b>First quarter of 2009</b>	<b>% Change</b>
<b>Net interest income before provision for doubtful debts</b>	56.2	64.7	(13.1)
<b>Provision for doubtful debts</b>	4.9	7.0	(30.0)
<b>Operating and other income</b>	24.4	25.4	(3.9)
<b>Total income less provision for doubtful debts</b>	75.7	83.1	(8.9)
<b>Operating and other expenses</b>	47.7	40.0	19.3
<b>Net profit</b>	18.1	27.4	(33.9)

<b>Return on net profit, on an annual basis</b>	23.3%	35.2%	
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<b>Development of Main Balance Sheet Items (NIS millions)</b>					
	<b>As at 31 March 2010</b>	<b>As at 31 March 2009</b>	<b>As at 31 December 2009</b>	<b>% change compared with 31 March 2009</b>	<b>% change compared with 31 December 2009</b>
<b>Balance sheet total</b>	4,667.7	4,701.3	4,759.0	(0.7)	(1.9)
<b>Credit to the public</b>	2,961.6	2,841.9	2,957.8	4.2	0.1
<b>Deposits of the public</b>	3,126.2	3,104.3	3,161.3	(0.7)	(1.1)
<b>Shareholders' equity</b>	348.6	368.1	330.4	(5.3)	5.5

<b>Capital adequacy to risk assets</b>	<b>As at 31 March 2010</b>	<b>As at 31 March 2009</b>	<b>As at 31 December 2009</b>	
<b>Basel II</b>	16.43%		15.91%	
<b>Basel I</b>		19.31%	19.18%	