

## **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

25 February 2014

Reference: 2014-01-046744

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 31 December 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: 24 February 2014 Time: 15:40.

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.

**Note: English translations of Immediate Reports of Bank Leumi are for convenience purposes only. In the case of any discrepancy between the English translation and the Hebrew original, the Hebrew will prevail.**

**The original Hebrew version is available on the distribution website of the Israel Securities Authority: <http://www.magna.isa.gov.il/>**

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Name of Electronic Reporter: David Raoul Sackstein, Position: Advocate, General Secretary  
Yehuda Halevi Street 34, Tel Aviv 6513616, Phone: 076-8857984, Facsimile: 076-8859732  
Electronic Mail: [david.sackstein@bankleumi.co.il](mailto:david.sackstein@bankleumi.co.il)

**Balance Sheet**  
**As at 31 December**  
**Reported Amounts**

		<b>2013</b>	2012
	Note	(NIS millions)	
<b>Assets</b>			
Cash and bank deposits	2	<b>1,679.1</b>	1,467.0
Securities	3,12	<b>460.3</b>	397.9
Credit to the public	4	<b>4,639.5</b>	4,146.7
Provision for credit losses	4	<b>(58.6)</b>	(54.1)
Net credit to the public		<b>4,580.9</b>	4,092.6
Buildings and equipment	5	<b>72.6</b>	68.6
Other assets	6	<b>76.0</b>	77.8
<b>Total assets</b>		<b>6,868.9</b>	6,103.9
<b>Liabilities and equity</b>			
Deposits of the public	7	<b>4,592.8</b>	4,344.8
Deposits from banks	8	<b>1,346.0</b>	823.8
Subordinated capital notes	9	<b>104.0</b>	157.1
Other liabilities <sup>(a)</sup>	10,16	<b>273.1</b>	251.4
<b>Total liabilities</b>		<b>6,315.9</b>	5,577.1
Shareholders' equity	11	<b>553.0</b>	526.8
<b>Total liabilities and equity</b>		<b>6,868.9</b>	6,103.9

(a) Of this, provision for credit losses with respect to off-balance sheet credit instruments: NIS 2.7 million as of 31 December 2013 and NIS 2.4 million as of 31 December 2012.

\_\_\_\_\_  
Z. Nahari

Chairman of the Board  
of Directors

\_\_\_\_\_  
F. Azayza

Director

\_\_\_\_\_  
D. Giter

CEO

\_\_\_\_\_  
Y. Tzur

Deputy CEO  
and Chief Accountant

Financial statements approved for publication: 24 February 2014

**Profit and loss statement for the year ending 31 December**  
**Reported Amounts**

		2013	2012	2011
	Note	NIS Millions		
Interest income	19	<b>381.4</b>	388.4	381.8
Interest expenses	19	<b>87.8</b>	105.6	116.7
Net interest income	19	<b>293.6</b>	282.8	265.1
Expenses from provision for credit losses	4	<b>8.7</b>	14.6	6.5
Net interest income after expenses in respect of credit losses		<b>284.9</b>	268.2	258.6
<b>Non-interest income</b>				
Non-interest finance income	20	<b>5.4</b>	5.3	0.6
Commissions	21	<b>117.4</b>	115.4	113.8
Other income (expenses)	22	<b>5.3</b>	2.4	(0.1)
Total non-interest income		<b>128.1</b>	123.1	114.3
<b>Operating and other expenses</b>				
Salaries and related expenses	23	<b>134.0</b>	127.7	124.1
Maintenance and depreciation of buildings and equipment	5	<b>38.5</b>	35.0	30.1
Other expenses	24	<b>76.5</b>	70.1	66.1
Total operating and other expenses		<b>249.0</b>	232.8	220.3
<b>Profit before taxes</b>				
Provision for taxes on profit	25	<b>57.5</b>	55.4	43.9
Net profit		<b>106.5</b>	103.1	108.7
Basic and diluted profit per ordinary share	26	In NIS		
Basic and diluted profit		<b>104.93</b>	101.58	107.09
Number of ordinary shares of NIS 0.01 nominal value each used in calculating the basic profit per share		<b>1,015,000</b>	1,015,000	1,015,000

## Statement of changes in equity for the year ended 31 December 2013

	Fully paid share capital and capital funds	Accumulated other comprehensive income <sup>(a)</sup>	Capital fund from transactions with control ling share-holders	Retained earnings	Total
	Reported amounts				
	NIS millions				
Balance as of 1 January 2011	26.6	1.7	14.7	293.6	336.6
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	-	-	-	108.7	108.7
Other comprehensive income net after effect of taxes <sup>(a)</sup>	-	0.7	-	-	0.7
Employee benefits from sales of shares of the parent company, net	-	-	0.4	-	0.4
Balance at 31 December 2011	<b>26.6</b>	<b>2.4</b>	<b>15.1</b>	<b>379.4</b>	<b>423.5</b>
Net profit	-	-	-	103.1	103.1
Other comprehensive income net after effect of taxes <sup>(a)</sup>	-	0.2	-	-	0.2
Balance at 31 December 2012	<b>26.6</b>	<b>2.6</b>	<b>15.1</b>	<b>482.5</b>	<b>526.8</b>
Net profit	-	-	-	<b>106.5</b>	<b>106.5</b>
Dividend	-	-	-	<b>(80.0)</b>	<b>(80.0)</b>
Other comprehensive income net after effect of taxes <sup>(a)</sup>	-	<b>(0.3)</b>	-	-	<b>(0.3)</b>
Balance at 31 December 2013	<b>26.6</b>	<b>2.3</b>	<b>15.1</b>	<b>509.0</b>	<b>553.0</b>

- (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 28 "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).

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

## Cash flow statement for the year ending 31 December

	2013	2012	2011
	Reported amounts		
	NIS millions		
<b>Cash flows from current operations</b>			
Net profit for the year	106.5	103.1	108.7
<u>Adjustments:</u>			
Depreciation and amortization of buildings and equipment	11.7	10.6	9.1
Expenses from provision for credit losses	8.7	14.6	6.5
Profit from sale of available-for-sale securities, net	(5.5)	(5.4)	(0.4)
loss (Profit) from sale of buildings and equipment	0.8	(1.5)	0.2
Issue of options and shares by the parent company to employees	-	-	0.4
Adjustment of value of subordinated notes	(3.1)	(0.8)	1.9
Deferred taxes, net	2.6	(1.7)	(11.2)
Increase in surplus of reserves for severance pay, pension, vacation and jubilee grants, beyond the required fund, net	(1.6)	2.6	9.4
Adjustments for changes in exchange rate differentials	0.4	0.7	(2.5)
<u>Net change in current assets</u>			
Deposits in banks	(227.8)	(117.7)	(190.2)
Credit to the public	(496.7)	(383.6)	(472.0)
Other assets	5.4	(7.1)	9.4
<u>Net change in current liabilities</u>			
Deposits of the public	248.0	452.6	455.6
Deposits from banks	522.2	(232.3)	29.9
Other liabilities	15.6	18.7	10.2
Net cash from current operations	187.2	(147.2)	(35.0)
<b>Cash flows from investment activity</b>			
Purchase of available-for-sale securities	(521.7)	(384.5)	(337.5)
Proceeds from sale of available-for-sale securities	423.0	364.1	260.0
Proceeds from redemption of available-for-sale securities	41.5	199.3	124.2
Purchase of buildings and equipment	(15.3)	(20.8)	(12.8)
Proceeds from sale of buildings and equipment	-	3.1	-
Net cash (for) from investment activity	(72.5)	161.2	33.9
<b>Cash flows for financing activity</b>			
Redemption of subordinated debentures	(50.0)		
Dividend paid to shareholders	(80.0)	-	-
Net cash for financing activity	(130.0)	-	-
Increase (decrease) in cash	(15.3)	14.0	(1.1)
Cash balance at start of year	209.2	195.9	194.5
Impact of exchange rate movements on cash balances	(0.4)	(0.7)	2.5
Cash balance at end of period	193.5	209.2	195.9
Interest and taxes paid and/or received			
Interest received	384.5	382.4	376.3
Interest paid	82.1	110.5	92.7
Tax on income paid	54.3	59.1	54.7
Tax on income received	3.3	0.5	9.0

## Cash flow statement for the year ending 31 December

### Appendix:

#### Non-cash investment and finance activities during the reported period:

During the year 2013, fixed assets were acquired against liabilities to suppliers' in the amount of NIS 4.3 million.

During the year 2012, fixed assets were acquired against liabilities to suppliers' in the amount of NIS 2.6 million.

During the year 2011, fixed assets were acquired against liabilities to suppliers' in the amount of NIS 5.3 million.

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