

## **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

26 May 2014  
Reference: 2014-01-064347

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 March 2014.

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: 14 May 2014 Time: 14:16.

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: Yael Rudnicki, Position: Group Secretary  
Yehuda Halevi Street 34, Tel Aviv 6513616, Phone: 076-8859419, Facsimile: 076-8859732,  
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## Financial Statements

### Summary Balance Sheet As at 31 March 2014 Reported Amounts

	31 March 2014	31 March 2013	31 December 2013
	Unaudited	Unaudited	Audited
	(NIS millions)		
Assets			
Cash and bank deposits	<b>1,808.1</b>	1,381.9	1,679.1
Securities	2,11 <b>407.6</b>	432.3	460.3
Credit to the public	3 <b>4,845.5</b>	4,224.4	4,639.5
Provision for credit losses	3 <b>(61.0)</b>	(53.1)	(58.6)
Net credit to the public	<b>4,784.5</b>	4,171.3	4,580.9
Buildings and equipment	<b>70.5</b>	67.9	72.6
Other assets	<b>79.4</b>	81.9	76.0
<b>Total assets</b>	<b>7,150.1</b>	6,135.3	6,868.9
Liabilities and equity			
Deposits of the public	3a <b>4,608.4</b>	4,334.7	4,592.8
Deposits from banks	<b>1,586.6</b>	917.0	1,346.0
Subordinated capital notes	<b>100.9</b>	151.5	104.0
Other liabilities <sup>(a)</sup>	<b>276.8</b>	259.5	273.1
<b>Total liabilities</b>	<b>6,572.7</b>	5,662.7	6,315.9
Shareholders' equity	<b>577.4</b>	472.6	553.0
<b>Total liabilities and equity</b>	<b>7,150.1</b>	6,135.3	6,868.9

(a) Of this: provision for credit losses with respect to off-balance sheet credit instruments as of 31 March 2014 -NIS 2.9 million; as of 31 March 2013 – NIS 2.4 million, and as of 31 December 2013, NIS 2.7 million.

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

Chairman of the Board  
of Directors

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

Director

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

CEO

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

Deputy CEO  
and Chief Accountant

Date of approval of financial statements –14 May 2014.

## Financial Statements

### Summary Profit and Loss Statement

For the period ended 31 March 2014

Reported Amounts

	Note	Three months ended 31 March		Year ended 31
		2014	2013	December
		Unaudited	Unaudited	Audited
(NIS millions)				
Interest income	8	<b>89.3</b>	89.5	381.4
Interest expenses	8	<b>10.9</b>	19.4	87.8
Net interest income		<b>78.4</b>	70.1	293.6
Expenses for credit losses	3	<b>3.3</b>	0.2	8.7
Net interest income after expenses for credit losses		<b>75.1</b>	69.9	284.9
<b>Non-interest income</b>				
Non-interest finance income	9	<b>0.4</b>	1.3	5.4
Commissions		<b>26.4</b>	28.6	117.4
Other (expenses) income		<b>(0.1)</b>	-	5.3
Total non-interest income		<b>26.7</b>	29.9	128.1
<b>Operating and other expenses</b>				
Salary and related expenses		<b>36.3</b>	31.6	134.0
Maintenance and depreciation of buildings and equipment		<b>9.3</b>	9.3	38.5
Other expenses		<b>18.7</b>	17.3	76.5
Total operating and other expenses		<b>64.3</b>	58.2	249.0
Pre-tax profit		<b>37.5</b>	41.6	164.0
Provision for taxes on profit		<b>14.4</b>	15.1	57.5
<b>Net profit</b>		<b>23.1</b>	26.5	106.5
Basic and diluted profit per ordinary share			<b>In NIS</b>	
Net basic and diluted profit		<b>22.76</b>	26.11	104.93
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	1,015,000

Financial Statements

**Summary statement of changes in shareholders' equity**  
**For the periods ended 31 March 2014**  
**Reported Amounts**

For the three months ended on 31 March

	2014					2013				
	Fully paid share capital and capital funds	Aggregate other comprehensive profit	Capital fund from transactions with control-ling share-holder	Retained earnings	Total share-holders' equity	Fully paid share capital and capital funds	Aggregate other comprehensive profit	Capital fund from transactions with control-ling share-holder	Retained earnings	Total share-holders' equity
	Unaudited									
	NIS millions									
Balance as of start of period (Audited)	<b>26.6</b>	<b>2.3</b>	<b>15.1</b>	<b>509.0</b>	<b>553.0</b>	26.6	2.6	15.1	482.5	526.8
Net profit for the period	-	-	-	<b>23.1</b>	<b>23.1</b>	-	-	-	26.5	26.5
Dividend	-	-	-	-	-	-	-	-	(80.0)	(80.0)
Other comprehensive profit (loss), net, after effect of taxes	-	<b>1.3</b>	-	-	<b>1.3</b>	-	(0.7)	-	-	(0.7)
Balance at the end of the period	<b>26.6</b>	<b>3.6</b>	<b>15.1</b>	<b>532.1</b>	<b>577.4</b>	26.6	1.9	15.1	429.0	472.6

Financial Statements

**Summary statement of changes in shareholders' equity  
For the periods ended 31 March 2014  
Reported Amounts**

For the year ended 31 December 2013

	Fully paid share capital and capital funds	Aggregate other comprehensive profit	Capital fund from transactions with control- ling share-holder	Retained Earnings	Total
Audited					
NIS millions					
Balance as of start of period (audited)	26.6	2.6	15.1	482.5	526.8
Net profit for the period	-	-	-	106.5	106.5
Dividend	-	-	-	(80.0)	(80.0)
Other comprehensive loss net, after effect of taxes	-	(0.3)	-	-	(0.3)
Balance at the end of the period	26.6	2.3	15.1	509.0	553.0

## Financial Statements

**Summary statement of cash flows**  
**For the period ended 31 March 2014**  
**Reported Amounts, in NIS millions**

	For the three months ended 31 March		Year ended 31 December
	2014	2013	2013
	Unaudited	Unaudited	Audited
<b>Cash flows from current operations</b>			
Net profit for the period	23.1	26.5	106.5
<u>Adjustments</u>			
Depreciation and amortization of buildings and equipment	2.8	2.8	11.7
Expenses for credit losses	3.3	0.2	8.7
Profit from sale of available-for-sale securities, net	(0.4)	(1.4)	(5.5)
Loss from sale of buildings and equipment	0.1	-	0.8
Adjustment of value of subordinated capital notes	(3.1)	(5.6)	(3.1)
Deferred taxes, net	0.1	2.2	2.6
Increase (decrease) in surplus of reserves for severance pay, pension, vacation and jubilee grants, beyond the required fund, net	0.8	0.6	(1.6)
Adjustment for changes in exchange rate differentials	(0.2)	1.1	0.4
<u>Net change in current assets</u>			
Deposits in banks	(142.8)	21.3	(227.8)
Credit to the public	(206.7)	(78.9)	(496.7)
Other assets	(5.9)	(5.4)	5.4
<u>Net change in current liabilities</u>			
Deposits of the public	15.6	(10.1)	248.0
Deposits from banks	240.6	93.2	522.2
Other liabilities	7.0	9.3	15.6
Net cash (for) from current operations	(65.7)	55.8	187.2
<b>Cash flows from investment activity</b>			
Purchase of available-for-sale securities	-	(147.5)	(521.7)
Proceeds from sale of available-for-sale securities	55.1	75.7	423.0
Proceeds from redemption of available-for-sale securities	-	37.7	41.5
Purchase of buildings and equipment	(3.4)	(4.4)	(15.3)
Net cash from (for) investment activity	51.7	(38.5)	(72.5)
<b>Cash flows for financing activity</b>			
Redemption of subordinated debentures	-	-	(50.0)
Dividend paid to shareholders	-	(80.0)	(80.0)
Net cash for financing activity	-	(80.0)	(130.0)
Decrease in cash	(14.0)	(62.7)	(15.3)
Cash balance at start of period	193.5	209.2	209.2
Impact of exchange rate movements on cash balances	0.2	(1.1)	(0.4)
Cash balance at end of period	179.7	145.4	193.5
<u>Interest and taxes paid and/or received</u>			
Interest received	94.3	101.3	384.5
Interest paid	31.2	27.9	82.1
Tax on income paid	9.8	8.7	54.3
Tax on income received	-	-	3.3

Financial Statements

**Summary statement of cash flows**  
**For the period ended 31 March 2014**  
**Reported Amounts, in NIS millions**

Appendix:

Non-cash liabilities transactions during the reported period:

During the period of January-March 2014, no fixed assets were acquired with supplier credit.

During the period of January-March 2013, fixed assets were acquired with supplier credit in the amount of NIS 0.1 million.

During the period of January-December 2013, fixed assets were acquired with supplier credit in the amount of NIS 4.3 million.

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