

**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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28 February 2011

Reference: 2011-01-064140

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: Approval of 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 2011.

See the attached Annex.

Date and time at which the corporation first became aware of the matter being the subject of the report: 28 February 2011 Time: 12:30.

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**Balance Sheet as at 31 December 2010**

**Reported Amounts**

		<b>2010</b>	<b>2009</b>
	Note		
Assets			
Cash and bank deposits	2	<b>1,144.4</b>	998.1
Securities	3, 12	<b>616.2</b>	708.5
Credit to the public	4	<b>3,292.8</b>	2,957.8
Buildings and equipment	5	<b>57.2</b>	48.9
Other assets	6	<b>49.7</b>	45.7
Total assets		<b>5,160.3</b>	4,759.0

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S. Sussman

Chairman of the Board  
of Directors

D. Giter

CEO

Y. Tzur

Deputy CEO  
and Chief Accountant

Financial statements approved for publication: 28 February 2011

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

### Reported Amounts

		<b>2010</b>	<b>2009</b>
	Note		
Liabilities and equity			
Deposits of the public	7	<b>3,436.6</b>	3,161.3
Deposits from banks	8	<b>1,026.2</b>	937.7
Subordinated capital notes	9	<b>156.0</b>	153.5
Other liabilities	10	<b>197.0</b>	176.1
Total liabilities		<b>4,815.8</b>	4,428.6
Shareholders' equity	11	<b>344.5</b>	330.4
Total liabilities and equity		<b>5,160.3</b>	4,759.0

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

## Financial Statements

### Profit and Loss Statement for the year ending 31 December Reported Amounts

		2010	2009	2008
	Note	NIS Millions		
<b>Net interest income before provision for doubtful debts</b>	19	<b>241.2</b>	232.2	235.0
<b>Provision for doubtful debts</b>	4	<b>23.7</b>	25.8	26.5
<b>Net interest income after provision for doubtful debts</b>		<b>217.5</b>	206.4	208.5
<b>Operating and other income</b>				
<b>Operating commissions</b>	20	<b>102.4</b>	96.6	101.5
<b>Other income</b>	21	<b>1.4</b>	5.1	0.1
<b>Total operating and other income</b>		<b>103.8</b>	101.7	101.6
<b>Operating and other expenses</b>				
<b>Salary and related expenses</b>	22	<b>110.7</b>	94.7	111.3
<b>Maintenance and depreciation for buildings and equipment</b>		<b>27.8</b>	26.0	24.1
<b>Other expenses</b>	23	<b>65.5</b>	56.2	52.8
<b>Total operating and other expenses</b>		<b>204.0</b>	176.9	188.2
<b>Pre-tax operating profit</b>		<b>117.3</b>	131.2	121.9
<b>Provision for taxes for operating profit</b>	24	<b>42.2</b>	51.9	48.4
<b>Net profit</b>		<b>75.1</b>	79.3	73.5
<b>Profit per share</b>	25		In NIS	
<b>Net profit</b>		<b>73.99</b>	78.13	72.41

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

## Statement of changes in shareholders' equity for the year ending 31 December 2010

	Fully paid share capital and capital funds	Adjustments for presentation of available for sale securities at fair value	Capital fund from transactions with controlling shareholders	Retained earnings	Total shareholders' equity
	Reported Amounts				
	NIS millions				
Balance as of 1 January 2008	<b>26.6</b>	<b>(1.2)</b>	<b>15.2</b>	<b>293.6</b>	<b>334.2</b>
Net profit	-	-	-	<b>73.5</b>	<b>73.5</b>
Dividend	-	-	-	<b>(80.0)</b>	<b>(80.0)</b>
Adjustments for presentation of available for sale securities at fair value	-	<b>27.4</b>	-	-	<b>27.4</b>
Adjustments from presentation of available for sale securities that have been restated to profit and loss	-	<b>0.1</b>	-	-	<b>0.1</b>
Effect of related taxes	-	<b>(9.9)</b>	-	-	<b>(9.9)</b>
Employee benefit from issuance of parent company options, net	-	-	<b>(0.1)</b>	-	<b>(0.1)</b>
Employee benefit from sale of parent company shares	-	-	<b>(1.2)</b>	-	<b>(1.2)</b>
Balance at 31 December 2008	<b>26.6</b>	<b>16.4</b>	<b>13.9</b>	<b>287.1</b>	<b>344.0</b>
Net profit	-	-	-	<b>79.3</b>	<b>79.3</b>
Dividend	-	-	-	<b>(80.0)</b>	<b>(80.0)</b>
Adjustments for presentation of available for sale securities at fair value	-	<b>(7.5)</b>	-	-	<b>(7.5)</b>
Adjustments from presentation of available for sale securities that have been restated to profit and loss	-	<b>(15.0)</b>	-	-	<b>(15.0)</b>
Effect of related taxes	-	<b>8.1</b>	-	-	<b>8.1</b>
Employee benefit from issuance of parent company options, net	-	-	<b>0.8</b>	-	<b>0.8</b>
Employee benefit from sale of parent company shares	-	-	<b>0.7</b>	-	<b>0.7</b>
Balance at 31 December 2009	<b>26.6</b>	<b>20</b>	<b>15.4</b>	<b>286.4</b>	<b>330.4</b>

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

## Statement of changes in shareholders' equity for the year ending 31 December 2010

	Fully paid share capital and capital funds	Adjustments for presentation of available for sale securities at fair value	Capital fund from transactions with controlling shareholders	Retained Earnings	Total shareholders' equity
	Reported Amounts				
	NIS millions				
Balance as of 31 December 2009	<b>26.6</b>	<b>2.0</b>	<b>15.4</b>	<b>286.4</b>	<b>330.4</b>
Net profit	-	-	-	<b>75.1</b>	<b>75.1</b>
Dividend	-	-	-	<b>(60.0)</b>	<b>(60.0)</b>
Adjustments for presentation of available for sale securities at fair value	-	<b>0.6</b>	-	-	<b>0.6</b>
Adjustments from presentation of available for sale securities that have been restated to profit and loss	-	<b>(1.2)</b>	-	-	<b>(1.2)</b>
Effect of related taxes	-	<b>0.3</b>	-	-	<b>0.3</b>
Employee benefit from sale of parent company shares	-	-	<b>(0.7)</b>	-	<b>(0.7)</b>
Balance at 31 December 2010	<b>26.6</b>	<b>1.7</b>	<b>14.7</b>	<b>301.5</b>	<b>344.5</b>

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

## Statement of cash flows for the year ending 31 December

	2010	2009	2008
Reported Amounts			
NIS Millions			
<b>Cash flows from current operations</b>			
Net profit	75.1	79.3	73.5
Adjustments required to present cash from operations:			
Depreciation and amortization of buildings and equipment	7.4	7.6	6.3
Provision for doubtful debts	23.7	25.8	26.5
(Profit) loss from sale of available-for-sale securities, net	(1.2)	(15.0)	0.1
Loss from sale of buildings and equipment	0.2	-	0.1
Interest and linkage increments for securities held to maturity	(0.3)	-	-
Deferred taxes, net	(1.7)	13.3	(12.6)
Increase (decrease) in surplus of reserves for severance pay, pension, vacation and jubilee grants, beyond the required fund	1.7	(10.3)	16.0
Issue of options and shares by the parent company to employees	-	0.8	(0.1)
Adjustment of value of subordinated capital notes	2.5	3.5	-
<b>Net cash from current operations</b>	<b>107.4</b>	<b>105.0</b>	<b>109.8</b>
<b>Cash flows for asset transactions</b>			
Proceeds from redemption of securities held to maturity	11.9	-	2.1
Purchase of available-for-sale securities	(233.3)	(738.2)	(611.7)
Proceeds from sale of available-for-sale securities	61.4	667.3	297.3
Proceeds from redemption of available-for-sale securities	253.2	148.9	74.5
Deposits in banks, net	(132.9)	(35.6)	38.1
Credit to the public, net	(358.7)	(99.2)	(248.5)
Purchase of buildings and equipment (a)	(12.7)	(6.7)	(10.7)
Consideration from sale of buildings and equipment	-	-	0.1
(Increase) decrease in other assets	(0.9)	(10.0)	0.8
<b>Net cash used for asset transactions</b>	<b>(412.0)</b>	<b>(73.5)</b>	<b>(458.0)</b>
<b>Cash flows from liabilities and equity transactions</b>			
Deposits of the public, net	275.3	(55.4)	56.7
Deposits from banks, net	88.5	6.6	363.4
Increase in other liabilities	14.2	6.9	9.7
Issue of subordinated capital notes	-	50.0	100.0
Dividend paid to shareholders	(60.0)	(80.0)	(80.0)
<b>Net cash from liabilities and equity transactions</b>	<b>318.0</b>	<b>(71.9)</b>	<b>449.8</b>
<b>Increase (decrease) in cash</b>	<b>13.4</b>	<b>(40.4)</b>	<b>101.6</b>
Cash balance at start of period	181.1	221.5	119.9
<b>Cash balance at end of period</b>	<b>194.5</b>	<b>181.1</b>	<b>221.5</b>

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

At the end of December 2010, the balance of fixed assets purchased with supplier credit amounted to NIS 4.1 million (and to NIS 0.9 million and NIS 1.5 million at the end of 2009 and 2008, respectively).

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