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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

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30 August 2011

Reference: 2011-01-257013

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 June 2011.

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: 30 August 2011 Time: 10:26.

Name of Electronic Reporter: Yael Rudnicki, Position: Group Secretary
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Financial Statements

Summary Balance Sheet As at 30 June 2011 Reported Amounts

		30 June 2011	30 June 2010	31 December 2010
		(Unaudited)	(Unaudited)	(Audited)
		(NIS millions)		
Assets				
Cash and bank deposits		1,236.3	1,095.4	1,144.4
Securities	2,10	477.9	578.0	616.2
Credit to the public		3,553.8	(*)(**) 3,223.8	(*)(**) 3,465.7
Provision for credit losses	3	(49.7)	(*)(**) (164.0)	(*)(**) (172.9)
Net credit to the public		3,504.1	3,059.8	3,292.8
Buildings and equipment		56.5	50.5	57.2
Other assets		63.7	(**) 48.9	(**) 53.0
Total assets		5,338.5	4,832.6	5,163.6
Liabilities and equity				
Deposits of the public		3,632.6	3,248.3	3,436.6
Deposits from banks		980.9	889.2	1,026.2
Subordinated capital notes		153.7	152.8	156.0
Other liabilities		211.0	(**) 186.6	(**) 208.2
Total liabilities		4,978.2	4,476.9	4,827.0
Shareholders' equity	4	360.3	(**) 355.7	(**) 336.6
Total liabilities and equity		5,338.5	4,832.6	5,163.6

* On 1 January 2011, the company adopted, for the first time, the Supervisor of Banks' Directive regarding "Measurement and Disclosure of Impaired Debts, Credit Risk and Credit Loss Provision". The comparative numbers for the previous years have not been restated, and the data for 30 June 2011 are therefore not comparable to the data from 2010 that are marked with an asterisk. For additional explanations regarding the impact of the initial adoption of the Directive, see note 1(d) and (e) below.

** The data were reclassified in order to match them to the item captions and to the presentation method for the current period. See note 1(d) and (e) below.

*** Restated due to the retroactive implementation of the Bank Supervision Department's guidelines concerning "Strengthening of Internal Control Over Financial Reporting, Regarding the Subject of Employees' Rights". See Note 1(d) and (e).

S. Sussman

D. Giter

Y. Tzur

Chairman of the Board
of Directors

CEO

Deputy CEO
and Chief Accountant

Financial statements approved for publication: 30 August 2011

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

Financial Statements

Summary Profit and Loss Statement For the period ending 30 June 2011 Reported Amounts

	For the three months ending 30 June		For the six months ending 30 June		For the Year ending 31 December	
	2011	2010	2011	2010	2010	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	
(NIS millions)						
Net interest income before expenses for credit losses	8	66.7	59.1	130.3	115.3	241.2
Expenses for credit losses	3	0.9	6.6	2.2	11.5	23.7
Net interest income after expenses for credit losses		65.8	52.5	128.1	103.8	217.5
Operating and other income						
Operating commissions		26.8	24.4	54.5	48.8	102.4
Other income		-	-	-	-	1.4
Total operating and other income		26.8	24.4	54.5	48.8	103.8
Operating and other expenses						
Salary and related expenses		31.8	28.8	61.0	55.5	110.7
Maintenance and depreciation for buildings and equipment		7.4	7.0	14.9	13.6	27.8
Other expenses		16.3	16.6	32.0	31.0	65.5
Total operating and other expenses		55.5	52.4	107.9	100.1	204.0
Pre-tax profit		37.1	24.5	74.7	52.5	117.3
Provision for taxes		12.9	9.5	26.7	19.4	42.2
Net profit for the period		24.2	15.0	48.0	33.1	75.1
Net profit per share				(NIS)		
Net profit for the period		23.84	14.78	47.29	32.61	73.99
Weighted average of the number of ordinary shares of NIS 0.01 par value each used for calculating profit per share		1,015,000	1,015,000	1,015,000	1,015,000	1,015,000

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

Financial Statements

**Summary statement of changes in shareholders' equity
For the periods ending 30 June 2011
Reported Amounts**

For the three months ending on 30 June

	2011					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 share-holders	Retained earnings	Total	Fully paid share capital and capital funds	Adjustments for presentation of available for sale securities at fair value	Capital fund from transactions with controlling share-holders	Retained earnings	Total
	(Unaudited)									
Balance as of start of period	26.6	(0.5)	14.7	(*)294.5	335.3	26.6	2.1	15.4	(*)296.6	340.7
Net profit for the accounting period	-	-	-	24.2	24.2	-	-	-	15.0	15.0
Adjustments from presentation of available for sale securities at fair value	-	0.7	-	-	0.7	-	1.4	-	-	1.4
Adjustments from presentation of available for sale securities that have been restated to profit and loss	-	-	-	-	-	-	(0.5)	-	-	(0.5)
Effect of related taxes	-	(0.3)	-	-	(0.3)	-	(0.2)	-	-	(0.2)
Employee benefits from sales of shares in the parent company, net	-	-	0.4	-	0.4	-	-	(0.7)	-	(0.7)
Balance at the end of the period	26.6	(0.1)	15.1	318.7	360.3	26.6	2.8	14.7	(*)311.6	355.7

(*) Restated due to the retroactive implementation of the Bank Supervision Department's guidelines concerning "Strengthening of Internal Controls Over Financial Reporting, Regarding the Subject of Employees' Rights". See Note 1(d) and (e).

Financial Statements

Summary statement of changes in shareholders' equity

For the periods ending 30 June 2011

Reported Amounts

For the six months ending on 30 June

	2011					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 share-holders	Retained earnings	Total	Fully paid share capital and capital funds	Adjustments for presentation of available for sale securities at fair value	Capital fund from transactions with controlling share-holders	Retained earnings	Total
Balance as of start of period (audited)	26.6	1.7	14.7	(*)293.6	336.6	26.6	2.0	15.4	(*)278.5	322.5
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 for the accounting period	–	–	–	48.0	48.0	–	–	–	33.1	33.1
Adjustments from presentation of available for sale securities at fair value	–	(2.6)	–	–	(2.6)	–	2.3	–	–	2.3
Adjustments from presentation of available for sale securities that have been restated to profit and loss	–	(0.1)	–	–	(0.1)	–	(1.2)	–	–	(1.2)
Effect of related taxes	–	0.9	–	–	0.9	–	(0.3)	–	–	(0.3)

(*) Restated due to the retroactive implementation of the Bank Supervision Department's guidelines concerning "Strengthening of Internal Controls Over Financial Reporting, Regarding the Subject of Employees' Rights". See Note 1(d) and (e).

Financial Statements

**Summary statement of changes in shareholders' equity
For the periods ending 30 June 2011
Reported Amounts**

For the six months ending on 30 June (continued from previous page)

	2011				2010					
Employee benefits from sales of shares in the parent company, net	-	-	0.4	-	0.4	-	-	(0.7)	-	(0.7)
Balance at the end of the period	26.6	(0.1)	15.1	318.7	360.3	26.6	2.8	14.7	^(*) 311.6	355.7

^(*) Restated due to the retroactive implementation of the Bank Supervision Department's guidelines concerning "Strengthening of Internal Controls Over Financial Reporting, Regarding the Subject of Employees' Rights". See Note 1(d) and (e).

Financial Statements

Summary statement of changes in shareholders' equity

For the periods ending 30 June 2011

Reported Amounts

For the year ended on 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
	Audited				
Balance as of start of period	26.6	2.0	15.4	(*)278.5	322.5
Net profit for the accounting period	-	-	-	75.1	75.1
Dividend	-	-	-	(60.0)	(60.0)
Adjustments form presentation of available for sale securities at fair value	-	0.6	-	-	0.6
Adjustments from presentation of available for sale securities that have been restated to profit and loss	-	(1.2)	-	-	(1.2)
Effect of related taxes	-	0.3	-	-	0.3
Employee benefits from sales of shares in the parent company, net	-	-	(0.7)	-	(0.7)
Balance at the end of the period	26.6	1.7	14.7	(*)293.6	336.6

(*) Restated due to the retroactive implementation of the Bank Supervision Department's guidelines concerning "Strengthening of Internal Controls Over Financial Reporting, Regarding the Subject of Employees' Rights". See Note 1(d) and (e).

Financial Statements
Summary statement of cash flows
For the periods ending 30 June 2011
Reported Amounts

	For the three months ending 30 June		For the six months ending 30 June		Year ending 31 December
	2011	2010	2011	2010	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
NIS millions					
Cash flows from current operations					
Net profit	24.2	15.0	48.0	33.1	75.1
Adjustments required to present cash from operations:					
Depreciation and amortization of buildings and equipment	2.2	1.9	4.5	3.8	7.4
Expenses form credit losses	0.9	6.6	2.2	11.5	23.7
Profit from sale of available-for-sale securities, net	-	(0.5)	(0.1)	(1.2)	(1.2)
Interest and linkage increments for securities held to maturity	-	(0.1)	-	(0.2)	0.2
Loss from sale of buildings and equipment	-	-	-	-	(0.3)
Deferred taxes, net	(0.9)	(1.9)	-	(2.4)	(1.7)
Increase in surplus of reserves for severance pay, pension, vacation and jubilee grants, beyond the required fund	2.0	4.3	4.7	3.2	1.7
Issue of options and shares by the parent company to employees	0.4	-	0.4	-	-
Provisions for adjustments included in investment and financing activity	2.0	1.5	(2.3)	(0.7)	2.5
Net cash from current operations	30.8	26.8	57.4	47.1	107.4
Cash flows for asset transactions					
Proceeds from redemption of securities held to maturity	-	11.9	-	11.9	11.9
Purchase of available-for-sale securities	(72.1)	(78.7)	(103.6)	(84.2)	(233.3)
Proceeds from sale of available-for-sale securities	8.8	19.3	155.0	39.9	61.4
Proceeds from redemption of available-for-sale securities	72.7	28.3	84.4	165.4	253.2
Deposits in banks, net	(40.0)	(38.6)	(79.1)	(73.7)	(132.9)
Credit to the public, net	(136.8)	(104.8)	(248.3)	(113.5)	(358.7)
Purchase of buildings and equipment (a)	(1.9)	(2.7)	(5.9)	(4.2)	(12.7)
(Increase) decrease in other assets	(2.6)	(1.1)	2.7	0.9	(0.9)
Net cash used for asset transactions	(171.9)	(166.4)	(194.8)	(57.5)	(412.0)

Financial Statements

Summary statement of cash flows
For the periods ending 30 June 2011
Reported Amounts

Cash flows from liabilities and equity transactions					
Deposits of the public, net	104.7	122.1	196.0	87.0	275.3
Deposits from banks, net	34.1	30.1	(45.3)	(48.5)	88.5
(Decrease) increase in other liabilities	(5.2)	(12.7)	(0.4)	(4.5)	14.2
Dividend paid to shareholders	-	-	-	-	(60..0)
Net cash from liabilities and equity transactions	133.6	139.5	150.3	34.0	318.0
(Decrease) increase in cash	(7.5)	(0.1)	12.9	23.6	13.4
Cash balance at start of period	214.9	204.8	194.5	181.1	181.1
Cash balance at end of period	207.4	204.7	207.4	204.7	194.5

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

At the end of June 2011, the balance of fixed assets purchased with supplier credit amounted to NIS 2.0 million.

At the end of June 2010, the balance of fixed assets purchased with supplier credit amounted to NIS 2.1 million.

At the end of December 2010, the balance of fixed assets purchased with supplier credit amounted to NIS 4.1 million.

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