

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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14 August 2014

Reference: 2014-01-133842

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 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: 13 August 2014 Time: 15:17.

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/>

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

Summary Balance Sheet As at 30 June 2014 Reported Amounts

		30 June 2014	30 June 2013	31 December 2013
	Note	(Unaudited)	(Unaudited)	(Audited)
		(NIS millions)		
Assets				
Cash and bank deposits		1,914.4	1,516.3	1,679.1
Securities	2,11	392.6	413.3	460.3
Credit to the public	3	4,942.5	4,405.1	4,639.5
Provision for credit losses	3	(61.2)	(54.6)	(58.6)
Net credit to the public		4,881.3	4,350.5	4,580.9
Buildings and equipment		68.5	70.0	72.6
Other assets		80.1	78.0	76.0
Total assets		7,336.9	6,428.1	6,868.9
Liabilities and equity				
Deposits of the public	3 ^(a)	4,650.7	4,431.3	4,592.8
Deposits from banks		1,704.3	1,085.1	1,346.0
Subordinated capital notes		101.7	153.0	104.0
Other liabilities ^(a)		275.0	260.2	273.1
Total liabilities		6,731.7	5,929.6	6,315.9
Shareholders' equity		605.2	498.5	553.0
Total liabilities and equity		7,336.9	6,428.1	6,868.9

(a) Of this: provision for credit losses for off-balance sheet credit instruments – NIS 2.9 million as of 30 June 2014, NIS 2.7 million as of 30 June 2013, and NIS 2.7 million as of 31 December 2013.

Z. Nahari	P. Azayza	D. Giter	Y. Tzur
Chairman of the Board of Directors	Director	CEO	Deputy CEO and Chief Accountant

Date of approval of financial statements – 13 August 2014

Financial Statements

Summary Profit and Loss Statement

For the periods ended 30 June 2014

Reported Amounts

	Note	For the three month period ended 30 June		For the six month period ended 30 June		For the year ended 31 December 2013
		2014	2013	2014	2013	
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		NIS millions				
Interest income	8	99.0	96.8	186.4	186.3	381.4
Interest expenses	8	17.9	23.9	28.8	43.3	87.8
Net interest income		81.1	72.9	157.6	143.0	293.6
Expenses for credit losses	3	1.4	1.0	4.7	1.2	8.7
Net interest income after expenses for credit losses		79.7	71.9	152.9	141.8	284.9
Non-interest income						
Non-interest finance income	9	0.9	2.6	1.3	3.9	5.4
Commissions		27.6	28.6	55.9	57.2	117.4
Other (expenses) income		(0.1)	1.6	(0.2)	1.6	5.3
Total non-interest income		28.4	32.8	57.0	62.7	128.1
Operating and other expenses						
Salaries and related expenses		33.8	34.9	70.1	66.5	134.0
Maintenance and depreciation of buildings and equipment		9.8	9.1	19.1	18.4	38.5
Other expenses		19.0	20.6	37.7	37.9	76.5
Total operating and other expenses		62.6	64.6	126.9	122.8	249.0
Profit before taxes		45.5	40.1	83.0	81.7	164.0
Provision for taxes on profit		17.3	14.0	31.7	29.1	57.5
Net profit		28.2	26.1	51.3	52.6	106.5
Basic and diluted profit per ordinary share				In NIS		
Basic and diluted profit		27.78	25.71	50.54	51.82	104.93
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

Financial Statements

Summary statement of changes in shareholders' equity

For the periods ended 30 June 2014

Reported Amounts

For the three months ended on 30 June

	2014					2013				
	Fully paid share capital and capital funds	Aggregate other comprehensive profit	Capital fund from transactions with controlling shareholder	Retained earnings	Total shareholders' equity	Fully paid share capital and capital funds	Aggregate other comprehensive profit	Capital fund from transactions with controlling shareholder	Retained earnings	Total shareholders' equity
	Unaudited									
	NIS millions									
Balance as of start of period	26.6	3.6	15.1	532.1	577.4	26.6	1.9	15.1	429.0	472.6
Net profit for the period	-	-	-	28.2	28.2	-	-	-	26.1	26.1
Other comprehensive (loss) profit, net, after effect of taxes	-	(0.4)	-	-	(0.4)	-	(0.2)	-	-	(0.2)
Balance at the end of the period	26.6	3.2	15.1	560.3	605.2	26.6	1.7	15.1	455.1	498.5

Financial Statements

Summary statement of changes in shareholders' equity
For the periods ended 30 June 2014
Reported Amounts

For the six months ended on 30 June

2014

2013

	Fully paid share capital and capital funds	Aggregate comprehensive profit	Capital fund from transactions with controlling shareholder	Retained earnings	Total shareholders' equity	Fully paid share capital and funds	Aggregate other comprehensive profit	Capital fund from transactions with controlling shareholder	Retained earnings	Total shareholders' equity
	(Unaudited)									
	NIS millions									
Balance as of start of period (audited)	26.6	2.3	15.1	509.0	553.0	26.6	2.6	15.1	482.5	526.8
Net profit for the period	-	-	-	51.3	51.3	-	-	-	52.6	52.6
Dividend	-	-	-	-	-	-	-	-	(80.0)	(80.0)
Other comprehensive profit (loss), net, after effect of taxes	-	0.9	-	-	0.9	-	(0.9)	-	-	(0.9)
Balance at the end of the period	26.6	3.2	15.1	560.3	605.2	26.6	1.7	15.1	455.1	498.5

Financial Statements

Summary statement of changes in shareholders' equity

For the periods ended 30 June 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 controlling share-holder	Retained earnings	Total share- holders' equity
	Audited				
	NIS millions				
Balance as of start of period	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 profit (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 periods ended 30 June 2014
Reported Amounts

	For the three months ended		For the six months ended		Year ended 31
	30 June		30 June		December
	2014	2013	2014	2013	2013
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Cash flows from current operations					
Net profit for the period	28.2	26.1	51.3	52.6	106.5
<u>Adjustments</u>					
Depreciation of buildings and equipment	3.0	2.9	5.8	5.7	11.7
Expenses for credit losses	1.4	1.0	4.7	1.2	8.7
Profit from sale of available-for-sale securities, net	(0.9)	(2.6)	(1.3)	(4.0)	(5.5)
Loss from sale of buildings and equipment	0.1	-	0.2	-	0.8
Adjustment of value of subordinated capital notes	0.8	1.5	(2.3)	(4.1)	(3.1)
Deferred taxes, net	0.8	0.3	0.9	2.5	2.6
Increase (decrease) in surplus of reserves for severance pay, pension, vacation and jubilee grants, beyond the required fund, net	1.4	1.3	2.2	1.9	(1.6)
Interest received (not yet received) beyond interest accumulated on available for sale debentures	2.3	(1.4) ^(a)	9.1	11.3 ^(a)	10.1 ^(a)
Adjustment for changes in exchange rate differentials	0.6	0.2	0.4	1.3	0.4
<u>Net change in current assets</u>					
Deposits in banks	(98.3)	(133.6)	(241.1)	(112.3)	(227.8)
Credit to the public	(98.2)	(179.9)	(304.9)	(258.8)	(496.7)
Other assets	(0.7)	5.2	(6.6)	(0.2)	5.4
<u>Net change in current liabilities</u>					
Deposits of the public	42.3	96.6	57.9	86.5	248.0
Deposits from banks	117.7	168.1	358.3	261.3	522.2
Other liabilities	(3.3)	(5.3)	3.7	4.0	15.6
Net cash (for) from current operations	(2.8)	(19.6)	(61.7)	48.9	197.3
Cash flows from investment activity					
Purchase of available-for-sale securities	(42.5)	(118.0)	(42.5)	(265.5)	(521.7)
Proceeds from sale of available-for-sale securities	36.0	137.7 ^(a)	84.3	200.7 ^(a)	412.9 ^(a)
Proceeds from redemption of available-for-sale securities	19.7	3.1	19.7	40.8	41.5
Purchase of buildings and equipment	(1.8)	(2.2)	(5.2)	(6.6)	(15.3)
Net cash from (for) investment activity	11.4	20.6	56.3	(30.6)	(82.6)
Cash flows from financing activity					
Redemption of subordinated debentures	-	-	-	-	(50.0)
Dividend paid to shareholders	-	-	-	(80.0)	(80.0)
Net cash for financing activity	-	-	-	(80.0)	(130.0)
Increase (decrease) in cash	8.6	(1.0)	(5.4)	(61.7)	(15.3)
Cash balance at start of period	179.7	145.4	193.5	209.2	209.2
Impact of exchange rate movements on cash balances	(0.6)	(0.2)	(0.4)	(1.3)	(0.4)
Cash balance at end of period	187.7	146.2	187.7	146.2	193.5
<u>Interest and taxes paid and/or received</u>					
Interest received	97.5	94.0	193.6	195.3	384.5
Interest paid	15.9	20.4	47.1	48.3	82.1
Tax on income paid	15.8	14.8	25.6	23.5	54.3
Tax on income received	-	3.3	-	3.3	3.3

Financial Statements

**Summary statement of cash flows
For the periods ended 30 June 2014
Reported Amounts**

Non-cash liabilities transactions during the reported period:

During the period of January-June 2014, the balance of fixed assets purchased with supplier credit amounted to NIS 0.5 million.

During the period of January-June 2013, the balance of fixed assets purchased with supplier credit amounted to NIS 3.5 million.

During the period of April-June 2014, the balance of fixed assets purchased with supplier credit amounted to NIS 0.5 million.

During the period of April-June 2013, the balance of fixed assets purchased with supplier credit amounted to NIS 3.5 million.

During the period of January-December 2013, the balance of fixed assets purchased with supplier credit amounted to NIS 4.3 million.

^(a) Reclassified.

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