

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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9 November 2015

Reference: 20152015-01-151062

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 September 2015.

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: 8 November 2015 Time: 13:57.

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: David Raoul Sackstein, Position: Advocate, General Secretary
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Financial Statements

Summary Balance Sheet As at 30 September 2015 Reported Amounts

		30 September 2015	30 September 2014	31 December 2014
	Note	(Unaudited)	(Unaudited)	(Audited)
(NIS millions)				
Assets				
Cash and bank deposits		2,285.1	2,007.1	1,961.9
Securities	2,11	228.0	370.6	407.1
Credit to the public	3	5,628.3	5,060.1	5,132.5
Provision for credit losses	3	(62.4)	(67.0)	(67.7)
Net credit to the public		5,565.9	4,993.1	5,064.8
Buildings and equipment		59.2	67.6	67.8
Other assets		94.5	91.9 ^(b)	95.6 ^(b)
Total assets		8,232.7	7,530.3 ^(b)	7,597.2 ^(b)
Liabilities and equity				
Deposits of the public	3a	5,101.4	4,651.7	4,794.5
Deposits from banks		2,087.7	1,854.8	1,744.1
Subordinated capital notes	13b	-	102.5	103.3
Other liabilities ^(a)		340.6	316.8 ^(b)	336.5 ^(b)
Total liabilities		7,529.7	6,925.8	6,978.4
Shareholders' equity		703.0	604.5 ^(b)	618.8 ^(b)
Total liabilities and equity		8,232.7	7,530.3 ^(b)	7,597.2 ^(b)

(a) Of this: provision for credit losses for off-balance sheet credit instruments – NIS 3.2 million as of 30 September 2015, NIS 3.0 million as of 30 September 2014, and NIS 2.9 million as of 31 December 2014,.

(b) Restated because of the retroactive implementation of American GAAP rules regarding employee rights and following a change in the accounting method regarding the accumulation of employee rights. See Note 1(c)(1).

D. Cohen	F. Azayza	D. Giter	Y. Tzur
Chairman of the Board of Directors	Director	CEO	Deputy CEO and Chief Accountant

Date of approval of financial statements – 8 November 2015

Financial Statements

Summary Profit and Loss Statement For the periods ended 30 September 2015 Reported Amounts

	Note	For the three month period ended 30 September		For the nine month period ended 30 September		For the year ended 31
		2015	2014	2015	2014	December 2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
NIS millions						
Interest income	8	98.6	97.2	279.0	283.6	375.7
Interest expenses	8	11.8	15.4	29.8	44.2	54.3
Net interest income		86.8	81.8	249.2	239.4	321.4
Expenses from provisions for credit losses	3	13.1	8.8	13.0	13.5	17.2
Net interest income after expenses from provisions for credit losses		73.7	73.0	236.2	225.9	304.2
Non-interest income						
Non-interest finance income	9	1.0	0.2	2.3	1.5	4.4
Commissions		27.0	28.7	84.9	84.6	114.2
Other income		-	0.8	- ^(b)	0.6	0.9
Total non-interest income		28.0	29.7	87.2	86.7	119.5
Operating and other expenses						
Salaries and related expenses		39.3	39.8 ^(a)	118.1	113.2 ^(a)	153.6 ^(a)
Maintenance and depreciation of buildings and equipment		9.1	10.2	31.5	29.3	39.4
Other expenses		17.9	19.3	58.8	57.0	76.9
Total operating and other expenses		66.3	69.3 ^(a)	208.4	199.5 ^(a)	269.9 ^(a)
Profit before taxes		35.4	33.4 ^(a)	115.0	113.1 ^(a)	153.8 ^(a)
Provision for taxes on profit		13.7	12.9 ^(a)	44.8	43.4 ^(a)	59.4 ^(a)
Net profit		21.7	20.5 ^(a)	70.2	69.7 ^(a)	94.4 ^(a)
Basic and diluted profit per ordinary share				NIS		
Net profit		21.38	20.20 ^(a)	69.16	68.67 ^(a)	93.00 ^(a)
Number of ordinary shares of NIS 1 nominal value (weighted average) used as basis for calculating basic and diluted profit per share		1,015,000	1,015,000	1,015,000	1,015,000	1,015,000

Financial Statements

Summary Statement of Comprehensive Profit

For the period ended 30 September 2015

Reported Amounts

	Note	For the three months ended 30 September		For the nine months ended 30 September		Year ended 31 December
		2015	2014	2015	2014	2014
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
In NIS millions						
Net profit		21.7	20.5 ^(a)	70.2	69.7 ^(a)	94.4 ^(a)
Other comprehensive profit (loss), before taxes						
Adjustments for presentation of available-for-sale securities at fair value, net		(1.1)	1.9	(2.5)	3.5	- ^(c)
Adjustment of liabilities for employees' benefits ^(b)		2.3	- ^(a)	24.7	0.4 ^(a)	(13.0) ^(a)
Other comprehensive profit (loss), before taxes		1.2	1.9 ^(a)	22.2	3.9 ^(a)	(13.0) ^(a)
Effect of related taxes		(0.5)	(0.7) ^(a)	(8.2)	(1.5) ^(a)	5.0 ^(a)
Other comprehensive profit (loss), after taxes	12	(0.7)	1.2 ^(a)	14.0	2.4 ^(a)	(8.0) ^(a)
Comprehensive profit		22.4	21.7 ^(a)	84.2	72.1 ^(a)	86.4 ^(a)

(a) Restated because of the retroactive implementation of American GAAP rules regarding employee rights and following a change in the accounting method regarding the accumulation of employee rights. See Note 1(c)(1).

(b) Primarily reflects adjustments for actuarial estimates for the end of the period of defined benefit pension plans and amortization of amounts recorded in the past for other comprehensive profit (loss).

(c) Amount less than NIS 0.1 million.

Financial Statements

Summary statement of changes in shareholders' equity
For the periods ended 30 September 2015
Reported Amounts

For the three months ended on 30 September

	2015					2014				
	Fully paid share capital and capital funds	Aggregate other comprehensive profit	Capital fund from transactions with controlling shareholders	Retained earnings	Total shareholders' equity	Fully paid share capital and capital funds	Aggregate other comprehensive profit	Capital fund from transactions with controlling shareholders	Retained earnings	Total shareholders' equity
	(Unaudited) NIS millions									
Balance as of start of period	26.6	(6.4)	15.1	645.3	680.6	26.6	(10.5) ^(a)	15.1	551.6 ^(a)	582.8 ^(a)
Net profit for the period	-	-	-	21.7	21.7	-	-	-	20.5 ^(a)	20.5 ^(a)
Other comprehensive profit (loss), net after effect of taxes	-	0.7	-	-	0.7	-	1.2 ^(a)	-	-	1.2 ^(a)
Balance at the end of the period	26.6	(5.7)	15.1	667.0	703.0	26.6	(9.3) ^(a)	15.1	572.1 ^(a)	604.5 ^(a)

(a) Restated because of the retroactive implementation of American GAAP rules regarding employee rights and following a change in the accounting method regarding the accumulation of employee rights. See Note 1(c)(1).

Financial Statements

Summary statement of changes in shareholders' equity
For the periods ended 30 September 2015
Reported Amounts

For the nine months ended on 30 September

	2015					2014				
	Fully paid share capital and capital funds	Aggregate other comprehensive profit	Capital fund from transactions with controlling shareholders	Retained earnings	Total shareholders' equity	Fully paid share capital and capital funds	Aggregate other comprehensive profit	Capital fund from transactions with controlling shareholders	Retained earnings	Total shareholders' equity
	(Unaudited) NIS millions									
Balance as of start of period (audited)	26.6	(19.7)	15.1	596.8	618.8	26.6	(11.7) ^(a)	15.1	502.4 ^(a)	532.4 ^(a)
Net profit for the period	-	-	-	70.2	70.2	-	-	-	69.7 ^(a)	69.7 ^(a)
Other comprehensive loss, net after effect of taxes	-	14.0	-	-	14.0	-	2.4 ^(a)	-	-	2.4 ^(a)
Balance at the end of the period	26.6	(5.7)	15.1	667.0	703.0	26.6	(9.3) ^(a)	15.1	572.1 ^(a)	604.5 ^(a)

(a) Restated because of the retroactive implementation of American GAAP rules regarding employees' rights and following a change in the accounting method regarding the accumulation of employee rights. See Note 1(c)(1).

Financial Statements

Summary statement of changes in shareholders' equity
For the periods ended 30 September 2015
Reported Amounts

For the year ended 31 December 2014

	Fully paid share capital and capital funds	Aggregate other comprehensive profit	Capital fund from transactions with controlling shareholder	Retained Earnings	Total
	(Audited)				
	(NIS millions)				
Balance as of start of period (audited)	26.6	(11.7)	15.1	502.4	532.4
Net profit for the period ^(a)	–	–	–	94.4	94.4
Other comprehensive profit, net after effect of taxes ^(a)	–	(8.0)	–	–	(8.0)
Balance at the end of the period ^(a)	26.6	(19.7)	15.1	596.8	618.8

(a) Restated because of the retroactive implementation of American GAAP rules regarding employee rights and following a change in the accounting method regarding the accumulation of employee rights. See Note 1(c)(1).

Financial Statements

Summary statement of cash flows
For the periods ended 30 September 2015
Reported Amounts

	For the three months ended 30 September		For the nine months ended 30 September		Year ended 31 December
	2015	2014	2015	2014	2014
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Cash flows from current operations					
Net profit for the period	21.7	20.5 ^(a)	70.2	69.7 ^(a)	94.4 ^(a)
<u>Adjustments</u>					
Depreciation of buildings and equipment	2.0	2.9	10.5	8.7	11.6
Expenses for credit losses	13.1	8.8	13.0	13.5	17.2
Profit from sale of available-for-sale securities, net	(0.8)	-	(2.1)	(1.3)	(4.0)
Loss from sale of buildings and equipment	-	-	-	0.2	0.2
Adjustment of values of subordinated debentures	-	0.8	(3.3)	(1.5)	(0.7)
Deferred taxes, net	(4.6)	(2.9) ^(a)	0.4	(3.2) ^(a)	(2.4) ^(a)
Increase in surplus of reserves for severance pay, pension, vacation and jubilee grants, beyond the required fund, net	4.3	2.8 ^(a)	5.0	8.3 ^(a)	13.9 ^(a)
Interest received (not yet received) beyond interest accumulated on available for sale debentures	1.1	0.8	7.8	9.9	9.1
Adjustment for changes in exchange rate differentials	(0.1)	(2.3)	-	(1.9)	(3.2)
<u>Net change in current assets</u>					
Deposits in banks	(89.3)	(56.8)	(293.8)	(297.9)	(247.6)
Credit to the public	(176.5)	(120.5)	(513.8)	(425.4)	(500.9)
Other assets	2.6	4.0	(3.5)	(2.6)	0.1
<u>Net change in current liabilities</u>					
Deposits of the public	89.0	1.0	306.9	58.9	201.7
Deposits from banks	119.4	150.5	343.6	508.8	398.1
Other liabilities	14.2	2.7 ^(a)	20.0	6.4 ^(a)	6.5
Net cash for current operations	(3.9)	12.3	(39.1)	(49.4)	(6.0)
Cash flows from investment activity					
Purchase of available-for-sale securities	(12.9)	(39.0)	(58.4)	(81.5)	(175.3)
Proceeds from sale of available-for-sale securities	27.4	-	61.4	84.3	127.0
Proceeds from redemption of available-for-sale securities	15.0	62.1	167.9	81.8	96.4
Purchase of buildings and equipment	(0.2)	(1.8)	(2.4)	(7.0)	(10.1)
Net cash from investment activity	29.3	21.3	168.5	77.6	38.0
Cash flows from financing activity					
Redemption of subordinated debentures	-	-	(100.0)	-	-
Net cash for financing activity	-	-	(100.0)	-	-
Increase (decrease) in cash	25.4	33.6	29.4	28.2	32.0
Cash balance at start of period	232.6	187.7	228.7	193.5	193.5
Impact of exchange rate movements on cash balances	0.1	2.3	-	1.9	3.2
Cash balance at end of period	258.1	223.6	258.1	223.6	228.7
Interest and taxes paid and/or received					
Interest received	91.8	94.7	276.5	281.9	375.0
Interest paid	9.0	11.7	33.9	58.8	71.0
Tax on income paid	14.8	17.2	37.7	42.8	62.3
Tax on income received	-	2.1	0.9	2.1	2.1

Financial Statements

Summary statement of cash flows
For the periods ended 30 September 2015
Reported Amounts

Non-cash liabilities transactions during the reported period:

During the period of January-September 2015, no fixed assets were purchased with supplier credit.

During the period of July- September 2015, no fixed assets were purchased with supplier credit.

During the period of January- September 2014, the balance of fixed assets purchased with supplier credit amounted to NIS 1.1 million.

During the period of July- September 2014, the balance of fixed assets purchased with supplier credit amounted to NIS 1.1 million.

During the period of January-December 2014, the balance of fixed assets purchased with supplier credit amounted to NIS 1.2 million.

^(a) Restated because of the retroactive implementation of American GAAP rules regarding employee rights and following a change in the accounting method regarding the accumulation of employee rights. See Note 1(c)(1).