

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

14 August 2015
Reference: 2015-01-093057

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 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: 9 August 2015 Time: 16:57.

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.

Name of Electronic Reporter: Yael Rudnicki, Position: Group Secretary
Yehuda Halevi Street 34, Tel Aviv 6513616, Phone: 076-8859419, Facsimile: 076-8859732,
Electronic Mail: Yaelru@bll.co

Financial Statements

Summary Balance Sheet

As at 30 June 2015

Reported Amounts

		30 June 2015	30 June 2014	31 December 2014
	Note	(Unaudited)	(Unaudited)	(Audited)
(NIS millions)				
Assets				
Cash and bank deposits		2,170.3	1,914.4	1,961.9
Securities	2,11	258.9	392.6	407.1
Credit to the public	3	5,470.9	4,942.5	5,132.5
Provision for credit losses	3	(68.4)	(61.2)	(67.7)
Net credit to the public		5,402.5	4,881.3	5,064.8
Buildings and equipment		60.5	68.5	67.8
Other assets		93.8	94.3 ^(b)	95.6 ^(b)
Total assets		7,986.0	7,351.1 ^(b)	7,597.2 ^(b)
Liabilities and equity				
Deposits of the public	3a	5,012.4	4,650.7	4,794.5
Deposits from banks		1,968.3	1,704.3	1,744.1
Subordinated capital notes	13b	-	101.7	103.3
Other liabilities ^(a)		324.7	311.6 ^(b)	336.5 ^(b)
Total liabilities		7,305.4	6,768.3	6,978.4
Shareholders' equity		680.6	582.8 ^(b)	618.8 ^(b)
Total liabilities and equity		7,986.0	7,351.1 ^(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 June 2015, NIS 2.9 million as of 30 June 2014, and NIS 2.9 million as of 31 December 2014.

(b) Restated pursuant to retroactive implementation of US GAAP on employee rights and following a change in the accounting method regarding the accumulation of employee rights.

D.Cohen

Chairman of the Board
of Directors

P. Azayza

Director

D. Giter

CEO

Y. Tzur

Deputy CEO
and Chief Accountant

Date of approval of financial statements – 9 August 2015

Financial Statements

Summary Profit and Loss Statement

For the periods ended 30 June 2015

Reported Amounts

	Note	For the three months ended 30 June		For the six months ended 30 June		For the year ended 31 December
		2015	2014	2015	2014	2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		(NIS millions)				
Interest income	8	99.8	99.0	180.4	186.4	375.7
Interest expenses	8	15.8	17.9	18.0	28.8	54.3
Net interest income		84.0	81.1	162.4	157.6	321.4
(Income) Expenses for credit losses	3	- ^(b)	1.4	(0.1)	4.7	17.2
Net interest income after expenses for credit losses		84.0	79.7	162.5	152.9	304.2
Non-interest income						
Non-interest finance income	9	0.2	0.9	1.3	1.3	4.4
Commissions		29.0	27.6	57.9	55.9	114.2
Other (income) expenses		-	(0.1)	- ^(b)	(0.2)	0.9
Total non-interest income		29.2	28.4	59.2	57.0	119.5
Operating and other expenses						
Salaries and related expenses		43.0	35.4 ^(a)	78.8	73.4 ^(a)	153.6 ^(a)
Maintenance and depreciation of buildings and equipment		12.4	9.8	22.4	19.1	39.4
Other expenses		19.9	19.0	40.9	37.7	76.9
Total operating and other expenses		75.3	64.2 ^(a)	142.1	130.2 ^(a)	269.9 ^(a)
Pre-tax profit		37.9	43.9 ^(a)	79.6	79.7 ^(a)	153.8 ^(a)
Provision for taxes on profit		14.6	16.7 ^(a)	31.1	30.5 ^(a)	59.4 ^(a)
Net profit		23.3	27.2 ^(a)	48.5	49.2 ^(a)	94.4 ^(a)
Basic and diluted profit per ordinary share				In NIS		
Net basic and diluted profit		22.96	26.80 ^(a)	47.78	48.47 ^(a)	93.00 ^(a)
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

(a) Restated pursuant to retroactive implementation of US GAAP on employee rights and following a change in the accounting method regarding the accumulation of employee rights.

(b) Amount less than NIS 0.1 million.

Financial Statements

Summary Statement of Comprehensive Profit

For the period ended 30 June 2015

Reported Amounts

		For the three months ended 30 June		For the six months ended 30 June		For the year ended 31 December
		2015	2014	2015	2014	2014
	Note	Unaudited	Unaudited	Unaudited	Unaudited	Audited
(NIS millions)						
Net profit		23.3	27.2 ^(a)	48.5	49.2	94.4 ^(a)
Other comprehensive profit (loss), before taxes						
Adjustments for presentation of available-for-sale securities at fair value, net		(1.3)	(0.4)	(1.4)	1.6	- ^(c)
Adjustment of liabilities for employees' benefits ^(b)		51.9	0.2 ^(a)	22.4	0.4 ^(a)	(13.0) ^(a)
Other comprehensive profit (loss), before taxes		50.6	(0.2) ^(a)	21.0	2.0 ^(a)	(13.0) ^(a)
Effect of related taxes		(19.0)	- ^{(a)(c)}	(7.7)	(0.8) ^(a)	5.0 ^(a)
Other comprehensive profit (loss), after taxes	12	31.6	(0.2) ^(a)	13.3	1.2 ^(a)	(8.0) ^(a)
Comprehensive profit		54.9	27.0 ^(a)	61.8	50.4 ^(a)	86.4 ^(a)

- (a) Restated pursuant to retroactive implementation of US GAAP on employee rights and following a change in the accounting method regarding the accumulation of employee rights.
- (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 June 2015
Reported Amounts

For the three months ended on 30 June

	2015				2014					
	Fully paid share capital and capital funds	Aggregate other comprehensive profit (loss)	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 loss	Capital fund from transactions with control-ling share-holder	Retained earnings	Total share- holders' equity
	Unaudited									
	NIS millions									
Balance as of start of period	26.6	(38.0)	15.1	622.0	625.7	26.6	(10.3) ^(a)	15.1	524.4 ^(a)	555.8 ^(a)
Net profit for the period	-	-	-	23.3	23.3	-	-	-	27.2 ^(a)	27.2 ^(a)
Other comprehensive profit (loss), net after effect of taxes	-	31.6	-	-	31.6	-	(0.2) ^(a)	-	-	(0.2) ^(a)
Balance at the end of the period	26.6	(6.4)	15.1	645.3	680.6	26.6	(10.5) ^(a)	15.1	551.6 ^(a)	582.8 ^(a)

(a) Restated pursuant to retroactive implementation of US GAAP on employee rights and following a change in the accounting method regarding the accumulation of employee rights.

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

For the six months ended on 30 June

	2015					2014				
	Fully paid share capital and capital funds	Aggregate comprehensive profit (loss)	Capital fund from transactions with controlling shareholder	Retained earnings	Total shareholders' equity	Fully paid share capital and capital funds	Aggregate other comprehensive profit (loss)	Capital fund from transactions with controlling shareholder	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	-	-	-	48.5	48.5	-	-	-	49.2 ^(a)	49.2 ^(a)
Other comprehensive profit (loss), net after effect of taxes	-	13.3	-	-	13.3	-	1.2 ^(a)	-	-	1.2 ^(a)
Balance at the end of the period	26.6	(6.4)	15.1	645.3	680.6	26.6	(10.5) ^(a)	15.1	551.6 ^(a)	582.8 ^(a)

(a) Restated pursuant to retroactive implementation of US GAAP on employee rights and following a change in the accounting method regarding the accumulation of employee rights.

Financial Statements
Summary statement of changes in shareholders' equity
For the periods ended 30 June 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 control- ling shareholder	Retained earnings	Total
	Audited				
	NIS millions				
Balance as of 31 December 2013(audited) ^(a)	26.6	(11.7)	15.1	502.4	532.4
Net profit for the period ^(a)	–	–	–	94.4	94.4
Other comprehensive loss, net, after effect of taxes	–	(8.0)	–	–	(8.0)
Balance at the end of the period ^(a)	26.6	(19.7)	15.1	596.8	618.8

(a) Restated pursuant to retroactive implementation of US GAAP on employee rights and following a change in the accounting method regarding the accumulation of employee rights.

Financial Statements
Summary statement of cash flows
For the periods ended 30 June 2015
Reported Amounts

	For the three months ended 30 June		For the six months ended 30 June		Year ended 31 December
	2015	2014	2015	2014	2014
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Cash flows from current operations					
Net profit for the period	23.3	27.2 ^(a)	48.5	49.2 ^(a)	94.4 ^(a)
<u>Adjustments</u>					
Depreciation of buildings and equipment	5.5	3.0	8.5	5.8	11.6
(Income) expenses for credit losses	-	1.4	(0.1)	4.7	17.2
Profit from sale of available-for-sale securities, net	(0.3)	(0.9)	(1.3)	(1.3)	(4.0)
Loss from sale of buildings and equipment	-	0.1	-	0.2	0.2
Adjustment of value of subordinated capital notes	(0.3)	0.8	(3.3)	(2.3)	(0.7)
Deferred taxes, net	(0.4)	0.2 ^(a)	5.0	(0.3) ^(a)	(2.4) ^(a)
Increase in surplus of reserves for severance pay, pension, vacation and jubilee grants, beyond the required fund, net	5.7	3.0 ^(a)	0.7	5.5 ^(a)	13.9 ^(a)
Interest received (not yet received) beyond interest accumulated on available for sale debentures	3.2	2.3	6.7	9.1	9.1
Adjustment for changes in exchange rate differentials	0.1	0.6	0.1	0.4	(3.2)
<u>Net change in current assets</u>					
Deposits in banks	(122.9)	(98.3)	(204.5)	(241.1)	(247.6)
Credit to the public	(178.0)	(98.2)	(337.3)	(304.9)	(500.9)
Other assets	(0.6)	(0.7)	(6.1)	(6.6)	0.1
<u>Net change in current liabilities</u>					
Deposits of the public	187.6	42.3	217.9	57.9	201.7
Deposits from banks	76.2	117.7	224.2	358.3	398.1
Other liabilities	(4.7)	(3.3)	5.8	3.7	6.5
Net cash for current operations	(5.6)	(2.8)	(35.2)	(61.7)	(6.0)
Cash flows from investment activity					
Purchase of available-for-sale securities	(19.6)	(42.5)	(45.5)	(42.5)	(175.3)
Proceeds from sale of available-for-sale securities	5.0	36.0	34.0	84.3	127.0
Proceeds from redemption of available-for-sale securities	132.9	19.7	152.9	19.7	96.4
Purchase of buildings and equipment	(0.9)	(1.8)	(2.2)	(5.2)	(10.1)
Net cash from investment activity	117.4	11.4	139.2	56.3	38.0
Cash flows from financing activity					
Redemption of subordinated debentures	(100.0)	-	(100.0)	-	-
Net cash for financing activity	(100.0)	-	(100.0)	-	-
Increase (decrease) in cash	11.8	8.6	4.0	(5.4)	32.0
Cash balance at start of period	220.9	179.7	228.7	193.5	193.5
Impact of exchange rate movements on cash balances	(0.1)	(0.6)	(0.1)	(0.4)	3.2
Cash balance at end of period	232.6	187.7	232.6	187.7	228.7
<u>Interest and taxes paid and/or received</u>					
Interest received	95.2	97.5	184.7	193.6	375.0
Interest paid	11.4	15.9	24.9	47.1	71.0
Tax on income paid	12.9	15.8	22.9	25.6	62.3
Tax on income received	0.7	-	1.6	-	2.1

Financial Statements
Summary statement of cash flows
For the periods ended 30 June 2015
Reported Amounts

Non-cash liabilities transactions during the reported period:

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

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

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 April-June 2014, the balance of fixed assets purchased with supplier credit amounted to NIS 0.5 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 pursuant to retroactive implementation of US GAAP on employee rights and following a change in the accounting method regarding the accumulation of employee rights.