

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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26 February 2015

Reference: 2015-01-039121

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 31 December 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: 25 February 2015 Time: 11:22.

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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Balance Sheet
As at 31 December
Reported Amounts

		2014	2013
	Note	(NIS millions)	
Assets			
Cash and bank deposits	2	1,961.9	1,679.1
Securities	3,12	407.1	460.3
Credit to the public	4	5,132.5	4,639.5
Provision for credit losses	4	(67.7)	(58.6)
Net credit to the public		5,064.8	4,580.9
Buildings and equipment	5	67.8	72.6
Other assets	6	74.6	76.0
Total assets		7,576.2	6,868.9
Liabilities and equity			
Deposits of the public	7	4,794.5	4,592.8
Deposits from banks	8	1,744.1	1,346.0
Subordinated capital notes	9	103.3	104.0
Other liabilities ^(a)	10,16	280.9	273.1
Total liabilities		6,922.8	6,315.9
Shareholders' equity	11	653.4	553.0
Total liabilities and equity		7,576.2	6,868.9

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

Z. Nahari

Chairman of the Board
of Directors

F. Azayza

Director

D. Giter

CEO

Y. Tzur

Deputy CEO
and Chief Accountant

Financial statements approved for publication: 25 February 2015

Profit and loss statement for the year ended 31 December
Reported Amounts

		2014	2013	2012
	Note	NIS Millions		
Interest income	19	375.7	381.4	388.4
Interest expenses	19	54.3	87.8	105.6
Net interest income	19	321.4	293.6	282.8
Expenses from provision for credit losses	4	17.2	8.7	14.6
Net interest income after expenses in respect of credit losses		304.2	284.9	268.2
Non-interest income				
Non-interest finance income	20	4.4	5.4	5.3
Commissions	21	114.2	117.4	115.4
Other income	22	0.9	5.3	2.4
Total non-interest income		119.5	128.1	123.1
Operating and other expenses				
Salaries and related expenses	23	144.6	134.0	127.7
Maintenance and depreciation of buildings and equipment	5	39.4	38.5	35.0
Other expenses	24	76.9	76.5	70.1
Total operating and other expenses		260.9	249.0	232.8
Profit before taxes				
		162.8	164.0	158.5
Provision for taxes on profit	25	62.4	57.5	55.4
Net profit		100.4	106.5	103.1
Basic and diluted profit per ordinary share				
	26	In NIS		
Basic and diluted net profit		98.92	104.93	101.58
Number of ordinary shares of NIS 0.01 nominal value (weighted average) each used in calculating the basic and diluted profit per share		1,015,000	1,015,000	1,015,000

Other Comprehensive Profit Statement for the Year Ended 31 December
Reported Amounts

	2014	2013	2012
Notes	NIS millions		
Net profit	100.4	106.5	103.1
Other comprehensive profit (loss), before taxes:			
Adjustment for presentation of available-for-sale securities according to net fair value	-(a)	(0.3)	0.3
Other comprehensive profit (loss), before taxes	-(a)	(0.3)	0.3
Effect of taxes	-(a)	-(a)	(0.1)
Other comprehensive profit (loss), after taxes:	28 -(a)	(0.3)	0.2
Comprehensive profit	100.4	106.2	103.3

(a) Amount lower than NIS 0.1 million.

Profit and Loss Statement for the Year Ended 31 December

Reported Amounts

	Fully paid share capital and capital funds	Accumulated other comprehensive income	Capital fund from transactions with controlling share-holders	Retained earnings	Total equity
	NIS millions				
Balance as of 1 January 2012	26.6	2.4	15.1	379.4	423.5
Net profit	-	-	-	103.1	103.1
Other comprehensive profit, net, after effect of taxes	-	0.2	-	-	0.2
Balance at 31 December 2012	26.6	2.6	15.1	482.5	526.8
Net profit	-	-	-	106.5	106.5
Dividend	-	-	-	(80.0)	(80.0)
Other comprehensive loss, net, after effect of taxes	-	(0.3)	-	-	(0.3)
Balance at 31 December 2013	26.6	2.3	15.1	509.0	553.0
Net profit	-	-	-	100.4	100.4
Other comprehensive profit (loss) net after effect of taxes	-	-(a)	-	-	-(a)
Balance at 31 December 2014	26.6	2.3	15.1	609.4	653.4

(a) Amount lower than NIS 0.1 million.

Cash Flow Statement for the Year Ended 31 December Reported Amounts

	2014	2013	2012
	NIS millions		
Cash flows from current operations			
Net profit for the year	100.4	106.5	103.1
<u>Adjustments:</u>			
Depreciation and amortization of buildings and equipment	11.6	11.7	10.6
Expenses for credit losses	17.2	8.7	14.6
Profit from sale of available-for-sale securities, net	(4.0)	(5.5)	(5.4)
Profit (loss) from sale of buildings and equipment	0.2	0.8	(1.5)
Adjustment of value of subordinated debentures	(0.7)	(3.1)	(0.8)
Deferred taxes, net	0.6	2.6	(1.7)
Change in surplus of reserves for severance pay, pension, vacation and jubilee grants, beyond the required fund, net	4.9	(1.6)	2.6
Interest received beyond interest accumulated on available for sale debentures	9.1	10.1 ^(a)	0.1 ^(a)
Adjustments for changes in exchange rate differentials	(3.2)	2.7 ^(a)	0.7
<u>Net change in current assets</u>			
Deposits in banks	(247.6)	(227.8)	(117.7)
Credit to the public	(500.9)	(496.7)	(383.6)
Other assets	0.1	5.4	(7.1)
<u>Net change in current liabilities</u>			
Deposits of the public	201.7	248.0	452.6
Deposits from banks	398.1	522.2	(232.3)
Other liabilities	6.5	15.6	18.7
Net cash from (for) current operations	(6.0)	199.6	(147.1)
Cash flows from investment activity			
Purchase of available-for-sale securities	(175.3)	(521.7)	(384.5)
Proceeds from sale of available-for-sale securities	127.0	412.9 ^(a)	364.0 ^(a)
Proceeds from redemption of available-for-sale securities	96.4	41.5	199.3
Purchase of buildings and equipment	(10.1)	(15.3)	(20.8)
Proceeds from sale of buildings and equipment	-	-	3.1
Net cash from (for) investment activity	38.0	(82.6)	161.1
Cash flows from financing activity			
Redemption of subordinated debentures	-	(50.0)	-
Dividend paid to shareholders	-	(80.0)	-
Net cash for financing activity	-	(130.0)	-
Increase (decrease) in cash	32.0	(13.0)	14.0
Cash balance at start of year	193.5	209.2	195.9
Impact of exchange rate movements on cash balances	3.2	(2.7) ^(a)	(0.7)
Cash balance at end of period	228.7	193.5	209.2
<u>Interest and taxes paid and/or received</u>			
Interest received	375.0	384.5	382.4
Interest paid	71.0	82.1	110.5
Tax on income paid	62.3	54.3	59.1
Tax on income received	2.1	3.3	0.5

Addendum:

Non-cash investment and finance activities during the reported period:

At the end of December 2014, the balance of fixed assets purchased with supplier credit amounted to NIS 1.2 million.

At the end of December 2013, the balance of fixed assets purchased with supplier credit amounted to NIS 4.3 million.

At the end of December 2012, the balance of fixed assets purchased with supplier credit amounted to NIS 2.6 million.

(a) Reclassified.