

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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February 18, 2010

2010-01-389280

To: Israel Securities Authority (www.isa.gov.il)
The Tel Aviv Stock Exchange (www.tase.co.il)

Immediate Report

Nature of event: Cancellation of a Special General Meeting

Further to a notice regarding the calling of a special meeting on 11 March 2010 (“the Special General Meeting”), Bank Leumi le-Israel B.M. (“the Bank”) hereby announces as follows:

At the time, the Bank believed that in anticipation of the Special General Meeting, it should allow each shareholder to propose his own candidacy for the position of Director, or to propose another shareholder for this position, by virtue of Article 87 of the Bank’s Articles of Association.

The Bank made a preliminary application to the Israel Securities Authority (“the ISA”) regarding the final date by which the Bank should allow Bank shareholders to propose new candidates for election as Directors at the Special General Meeting, and regarding whether the addition of names of candidates to serve as Directors after the calling of the Meeting constitutes a change of the Meeting’s agenda which would require, for that purpose, a new call for the Meeting.

The ISA staff’s response, dated 14 February 2010, which was published on the ISA’s website, indicated, *inter alia*, that the validity of Article 87 of the Bank’s Articles of Association is in question. The Bank was asked to publish, in an immediate report, its position regarding the question of whether shareholders may propose directors in

accordance with Article 87, and if they can, what procedure they are to follow, while making reference to various points that were set out in the ISA staff response.

Consequently, the Bank asked for a legal opinion from Professor Omri Yadlin and Professor Sharon Hannes, who are lecturers and researchers in the field of companies law and securities law in Israel and abroad (the “Experts”).

The Experts submitted their opinion to the Board of Directors. The opinion is attached hereto. According to the opinion, Article 87 of the Articles of Association grants a right to a shareholder to submit candidacy for the position of Director, for the reasons indicated in the opinion. In their opinion, the Experts also recommended to the Bank to act in accordance with the ISA’s position and to cancel the Special General Meeting and hold a new Special General Meeting in accordance with the ISA’s instructions. The opinion was presented at the Board of Directors' meeting which was held today. The Board of Directors discussed the opinion in depth, and heard from Professor Yadlin, who responded to the Directors’ questions orally.

The Board of Directors resolved unanimously that the opinion related properly to the clarification requested by the ISA in section 7 of its response, and it adopted the content of the opinion and the conclusions set out therein.

The Board of Directors therefore resolved to cancel the calling for the Special General Meeting and accordingly, the above-mentioned Meeting will not be held on the said date. The Board of Directors will adopt a new resolution, to be reported in an immediate report, regarding the convening of a new Meeting at the earliest date possible.

The full text of the opinion is available on the distribution website of the ISA.

Date and time at which the corporation first became aware of the matter being the subject of the report: 18 February 2010 Time: 20:00.

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