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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

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

Immediate Report

Nature of Event: Terms of Employment of the Chairman of the Board of Directors

See attached annex.

Date and time at which the corporation first became aware of the matter being the subject of the report: 15 September 2010 Time: 16:00.

Name of Electronic Reporter: Yael Rudnicki, Position: Group Secretary
POB 2 Tel Aviv 61000, Phone: + 972 3 5149419, Facsimile: + 972 3 5149732, Electronic Mail:
Yaelru@bll.co.il

Bank Leumi le-Israel B.M.

(the "Bank")

An immediate report is hereby made, pursuant to section 37A(3) of the Securities Regulations (Periodic and Immediate Reports), 1970, concerning the resolution of the Bank's Audit Committee of 14 September 2010, and the resolution of the Bank's Board of Directors of 15 September 2010 regarding the principles of the terms of the contractual relationship between the Bank and the Chairman of the Bank's Board of Directors, Mr. David Brodet (subject to the approval of the Bank's General Meeting of Shareholders) (the "Chairman")

1. The manner in which the terms for the Chairman's service were determined and the rationale of the Bank's Audit Committee and of its Board of Directors

- 1.1 Mr. Brodet was elected to serve as a Director of the Bank at the Bank's Annual General Meeting held on 2 June 2010. The Bank's Board of Directors elected Mr. Brodet to serve as the Chairman of the Board of Directors for a period of 3 years. It is noted that on 4 August 2010 the approvals required by law were obtained for the election of Mr. Brodet as Chairman of the Bank's Board of Directors. (See Immediate Report, Reference Number 2010-01-575229).
- 1.2 On 14 September 2010, the Bank's Audit Committee, and afterwards, on 15 September 2010, the Bank's Board of Directors approved the terms of the Bank's contractual relationship with the Chairman, subject to the approval of the Bank's General Meeting of Shareholders.
- 1.3 The terms of the contractual relationship were discussed at a number of meetings of Board of Directors' Administrative Committee, and were afterwards discussed and approved by the Audit Committee and by the Board of Directors.
- 1.4 The background material presented to the above-mentioned Bank organs included comparative data concerning general terms of employment, salary, bonuses and retirement terms for chairmen of boards of directors (to the extent such information is available and public) who serve in banking corporations in Israel, including the terms of employment of the departing Chairman of the Board of Directors.
- 1.5 After the Audit Committee and the Board of Directors held discussions regarding the terms of the contractual relationship with the Chairman, taking into consideration, *inter alia*, the background material presented to them and the standard terms of employment for the Bank's senior managers, and after they examined the recommendations of the Administrative Committee of the Board of Directors, the Audit Committee and the Board of Directors resolved to approve, and recommend to the General Meeting the approval of, the terms of the contractual relationship, the main points of which are described below.

1.6 As stated above, the terms of the contractual relationship with the Chairman were approved after comparative data were presented regarding standard terms of employment for chairmen of boards of directors within the Israeli banking system. The Bank's Audit Committee and its Board of Directors believe that the above-mentioned terms of employment are consistent with the criteria that are customary in the Israeli banking system, taking note of the size and scope of the Bank's activity. Similarly, the Bank's Audit Committee and its Board of Directors believe that the terms of the contractual relationship are reasonable, taking into consideration the Chairman's position, his experience, the time he will be required to invest in the context of his position as Chairman of the Bank's Board of Directors, and the fact that this is a full-time (100%) position.

2. **The main points of the terms of the contractual relationship between the Bank and the Chairman:**

2.1 Definition of the position – the Chairman of the Bank is employed in a full time position as the active Chairman of the Bank's Board of Directors, as of 4 August 2010 (the date on which the approvals required by law were obtained for his appointment). So long as the Chairman continues to serve in his position, he will not be permitted to work at any other job or to be engaged in any other employment, unless he has received advance approval for such from the Bank's Board of Directors.

2.2 Period of employment and the conclusion thereof:

2.2.1 The Chairman's period of employment shall be for 3 (three) years beginning on 4 August 2010 (the "**Employment Period**") and each party will be entitled to cancel the agreement by prior notice, as described in section 2.5 below.

2.2.2 The employment of the Chairman of the Board of Directors after the Employment Period: If at the end of the Employment Period, the Chairman is chosen to serve for an additional period as the Chairman of the Bank's Board of Directors, the terms described below will continue to apply (in the absence of a different agreement), and each party will be entitled to cancel the agreement through advance notice of 6 months, although in such case the terms described in section 2.5 below – regarding advance notice, and in section 2.6 below – regarding the Adaptation Period bonus, will not apply. It should be noted that the Bank will be entitled to require that the Chairman of the Board of Directors will remain at work during all or part of the advance notice period. During the above-mentioned advance notice period, the Chairman will be entitled to his salary and to all other accompanying conditions.

2.3 Salary: From the beginning of the Employment Period, the Chairman will be paid a monthly salary in a total amount of NIS 150,000 (linked to increases in the CPI, beginning with the CPI for June 2010) (the "**Salary**.")

2.4 Provisions for provident funds and severance pay: The Bank will set aside amounts for pension and for severance pay for the Chairman, which will be transferred each month to managers' insurance, to provident funds and/or to a pension arrangement, as shall be agreed by the parties, at the following rates:

2.4.1 8.33% - for severance pay.

2.4.2 7.5%* - (see details below) for pension (against the deduction of an additional amount at the rate of 5% from the Chairman's salary).

(*) As the Chairman is not insured for loss of working ability, it has been decided that the provisions for such, at the rate of 2.5%, will be transferred to additional provisions for pension, such that the employer's provisions for pension will stand at 7.5%, as indicated above.

2.5 Conclusion of the contractual relationship by giving advance notice during the Employment Period:

During the course of the Employment Period, each of the parties is entitled to conclude the contractual relationship by giving advance notice as follows:

2.5.1 If the Chairman's employment as Chairman of the Board of Directors has concluded due to Involuntary Retirement (as such term is defined below), the Chairman will be entitled to an advance notice period of up to 9 months, provided that the advance notice period does not extend beyond the date of the end of the Employment Period.

2.5.2 If the Chairman's employment as Chairman of the Board of Directors has concluded due to voluntary retirement (other than in certain exceptional circumstances in which the Chairman may be denied severance pay), the Chairman will be entitled to an advance notice period of 6 months only.

"Involuntary Retirement" – includes retirement resulting from the transfer or purchase of control of the Bank, the non-renewal of the appointment, dismissal, death, retirement as a result of a worsening of work conditions, and any other retirement which is involuntary and any retirement which the Board of Directors has confirmed was involuntary.

It is clarified that the Bank will be entitled to demand that the Chairman of the Board of Directors will remain at work during all or part of the advance notice period. During the advance notice period, the Chairman will be entitled to his salary and to all other accompanying conditions.

2.6 Adaptation period – following the conclusion of the contractual relationship during the Employment Period: If the Chairman's employment as Chairman of the Board of Directors has concluded during the Employment Period due to Involuntary

Retirement or if the Chairman's employment as Chairman of the Board of Directors has concluded at the end of the Employment Period, for any reason whatsoever – the Chairman will be entitled to an adaptation period of 6 months during which the Chairman will receive his monthly Salary (including the accompanying conditions) (the "**Adaptation Period**"). The Adaptation Period will begin at the end of the advance notice period (to the extent such exists).

2.7 Cooling-off and non-competition period:

2.7.1 For 6 months following the end of his service as the active Chairman (the "**Cooling-off Period**"), the Chairman will not serve as an officer of and will not work, either as an employee or in a self-employed framework, either as a consultant or in any other manner whatsoever, either directly or indirectly, for any corporation that competes with the Bank, including insurance companies.

2.7.3 The Chairman will be entitled to the Salary and to all other accompanying conditions during the Cooling-off Period. It is clarified that during the period in which there is an overlap between the Cooling-off Period and all or part of the advance notice period and/or of the Adaptation Period, the Chairman will only be entitled to a payment for the advance notice period or the Adaptation Period, whichever is relevant.

2.8 Annual bonus: The Chairman will be entitled to an annual bonus in accordance with the Bank's management compensation program, beginning in the year 2011. The granting of the bonus for the year 2010 and the size thereof will be decided at the discretion of the Board of Directors (with the approval of the General Meeting).

For additional details regarding the Bank's management compensation program, see the Bank's Immediate Report dated 10 March 2010, reference number: 2010-01-409548.

2.9 Terms of Retirement: Following the conclusion of the employer-employee relationship between the parties for any reason whatsoever (other than in certain exceptional circumstances in which the Chairman may be denied severance pay), the Chairman will be entitled to severance pay in the amount of 150% of his last salary multiplied by the number of years (and/or of any part thereof) in which he served as the Chairman of the Board of Directors, which shall be in addition to the Chairman's entitlement to monies and rights in the severance pay fund and in the pension fund (as described in section 2.4 above). (It is clarified that the Bank will not provide supplemental funds to the Chairman and will not reimburse funds in order to meet the 250% severance pay amount).

2.10 Supplementary training fund: The Bank will set aside amounts for the Chairman for a supplementary training fund each month, at its expense, in an amount equal to 7.5% of the Salary, as it may be from time to time, and at the same time the Bank will deduct, at the expense of the Chairman of the Board of Directors, an amount

equal to 2.5% of the Salary, and will transfer such amounts to a supplementary training fund.

2.11 Vacation days, recovery days and sick days: As is standard for senior managers pursuant to the Bank's internal practices.

2.12 Accompanying conditions: During the Employment Period, the Chairman will be entitled to benefits as is standard for senior managers at the Bank:

2.12.1 Expenses: Reimbursement of reasonable expenses incurred by him for the purpose of carrying out his function, as is standard at the Bank.

2.12.2 Car and full-time driver: The Chairman will be entitled to a car and a full-time driver. (The car's expenses will be included within his salary).

2.12.3 Telephone: The Chairman will be entitled to a landline telephone and a cellular telephone. (The telephone expenses will be included within his salary).

2.12.4 Insurance and periodic medical examinations (the cost of the examinations will be included within the salary beginning in 2011), newspapers, discounts for banking services, and the other benefits that are standard for senior managers at the Bank.