

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

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17 February 2010

2010-01-386682

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

Immediate Report Regarding the Submission of a Position Paper

Regulation 36C of the Securities Regulations (Periodic and Immediate Reports), 1970

1. On 17 February 2010, the Company received a Position Paper, as defined in Section 88 of the Companies Law, 1999, from Shlomo Eliahu Holdings, Ltd. and Eliahu Insurance Company Ltd., regarding an item to be discussed at the General Meeting called for 11 March 2010 at 10:30.
2. The text of the Position Paper is attached hereto.
3. The reference number for the Notice regarding the Convening of the General Meeting is 2010-01-369918.

Name of Electronic Reporter: Yael Rudnicki, Position: Group Secretary
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***Bank Leumi's Immediate Reports are filed in Hebrew on the distribution websites of the Israel Securities Authority and of the Tel Aviv Stock Exchange.
This document is a translation of the Hebrew, and in case of any discrepancy the Hebrew will prevail.***

[Letterhead of Shlomo Eliahu Holdings Ltd.]

Tel Aviv, 16 February 2010

Ms. Yael (Ben Moshe) Rudnicki, Adv.
Secretary of the Bank
Bank Leumi le-Israel B.M. (the "Company")
34 Yehuda Halevy Street, POB 2
Tel Aviv 65546

Delivery by hand
For the attention of the Company Secretary

Dear Madam,

Re: Position Paper regarding the General Meeting set for 11 March 2010

In accordance with section 88 of the Companies Law, 1999, and with Regulation 6 of the Companies Regulations (Written Voting and Position Papers), 2005, and further to the Company's notice dated 31 January 2010, regarding the convening of a General Meeting of the Company's shareholders which has been set for 11 March 2010, attached hereto is a Position Paper from Shlomo Eliahu Holdings Ltd. and Eliahu Insurance Company Ltd., companies controlled by Mr. Shlomo Eliahu, who hold 141,380,000 of the shares of the Company, which constitute 9.59% of the Company's outstanding share capital.

We ask that you distribute this Position Paper through Magna, as required by law.

Yours truly,
/s/
Shlomo Eliahu Holdings Ltd.

Position Paper

From Shlomo Eliahu Holdings Ltd. and Eliahu Insurance Company Ltd.
Regarding the General Meeting set for 11 March 2010 (the "Meeting")
of Bank Leumi le-Israel B.M. (the "Bank")

In accordance with the Companies Law, 1999 (the "Companies Law"), and with Regulation 6 of the Companies Regulations (Written Voting and Position Papers), 2005

Shlomo Eliahu Holdings Ltd. and Eliahu Insurance Company Ltd., who hold 9.59% of the Bank's shares, are pleased to present their position regarding items on the agenda which has been set for the Meeting (Items 1 and 3).

1. The Background for Convening the Meeting

The Meeting set for 11 March 2010 was called following my application to the Bank's Board of Directors – in accordance with section 63 of the Companies Law – in which I requested that a **Special Meeting** of the Bank's shareholders be called, for the purpose of appointing of **Dr. David Klein** as a Director of the Bank.

It seems to me that one cannot say too much of the abilities, skills and rich experience of Dr. Klein. It is hard to think of a more fitting and appropriate appointment for this position, which will serve the Bank's objectives and strengthen it.

The reason that I made this request to convene a **Special Meeting, at this particular time**, and why I did not wait for the convening of the Annual General Meeting, is no secret. The reason is related to the many publications in the media which appeared prior to my application, which indicated that apparently political and other elements were attempting to influence the appointment of the Bank's Directors. According to these publications, there was a real concern that an attempt would be made to have Directors and a Chairman of the Board of Directors be elected, for irrelevant reasons that are not in the Bank's best interest. I believed that this election needs to be held **now**, in order to remove the uncertainty prevailing among the public and within the economy regarding the identity of the Bank's future Chairman of the Board of Directors, and in order to end the mass of rumors that were damaging the Bank and the Bank's investor community, which include myself and all of you.

It is important that the Bank's Board of Directors be professional and of a high caliber, and that its members be faithful to the Bank and that they act only in its interest. The possibility that the appointment of Directors and of a Chairman of the Board of Directors would be influenced by irrelevant considerations is in absolute conflict with the objective of the Companies Law and of the law which regulated the State's holding of the Bank's shares – the Bank Shares Law (Arrangement Law) (Temporary Provision), 1993.

Any attempt to use the State's voting rights for the purpose of promoting candidates with connections of some kind is fundamentally invalid. This is a very serious matter given the current situation, in which **the State holds only 11.4%** of the Bank's share capital. This is a low holding percentage, which does not even reach the minimum set by the Bank of Israel for the purpose of establishing the existence of a controlling core in the Bank. In contrast, we, **the Bank's shareholder community, hold more than 85% of the voting rights** in the Bank.

The Bank has been operating for more than two years under conditions in which there is no single shareholder who holds the number of shares that constitutes a "controlling core" which would ensure that such shareholder has effective control of the Bank. The holdings in the Bank are currently divided among various holders, each of whom has a relatively small number of shares. This situation was made possible only after the amendment of the Banking (Licensing) Law, 1981, which was enacted in 2004 (the "Marani Amendment") – an amendment that regulates the possibility of operating a bank without a controlling core.

In the Bank's current situation, each one of the shareholders can and must influence the appointment of the Bank's directors. We, the Bank's shareholder community, hold more than 85% of the voting rights in the Bank, and we are required to consider only the Bank's best interest. We must be aware that if each of us votes for the most appropriate candidate, that candidate will be elected by a large majority, whether or not the State supports the candidate's election. Based on an understanding of this situation, I initiated the convening of the meeting.

Furthermore: recently, the State declared in various publications in the media, and even notified the Bank in a formal announcement, of its intention to sell, in the near future, the remaining shares that it holds in the Bank (at first, an objective was presented for completing the sale by the end of 2009!). In such circumstances, just before the State sells its remaining shares, which are small in number in any event – the moral basis has also been eliminated for the State's attempt to make use of its voting rights in order to influence the management of Bank after its departure.

I therefore believed that it is fitting to stop the mass of rumors, and the proceedings which are motivated by improper considerations – if such exist – and I requested that a General Meeting be convened now, while proposing the appointment of Dr. Klein, a person of stature and qualifications which make him an ideal candidate for the position, in the view of all.

It seems to me that **the process which I have initiated has led to the hoped-for result**: the convening of the General Meeting stopped the wave of rumors and speculations which have damaged the Bank and the investor community, and has led to a situation in which the attempts to promote candidates for irrelevant reasons (to the extent that such existed) have ended, and there are today 5

candidates, each of whom is appropriate and suitable. To the extent that such attempts may continue in the future, it will be our function, as the shareholder community, to frustrate such attempts with all the means available to us by law, while ensuring the best interest of the Bank.

2. **The Presentation of a High Quality, Professional Candidate for the Bank's Board of Directors**

It is almost certain that everyone in the shareholder community knows of Dr. Klein and of his experience and qualifications. Nevertheless, it is fitting to mention, in brief, that Dr. Klein is an economist who has over the years gathered widespread international recognition. Dr. Klein has been involved with the fields of economy, finance and banking, since 1959. He served in a series of significant roles with substantial responsibility, in the Ministry of Finance, the International Monetary Fund and the Bank of Israel.

Dr. Klein was the seventh Governor of the Bank of Israel. This role gave him experience and in-depth and broad familiarity with the banking world, in Israel and abroad. It should be noted that the fact of the State of Israel has, in the last decade, weathered two international financial crises, while preserving the stability of the banking system, must be credited, *inter alia*, to the important and significant actions carried out by Dr. Klein during the period in which he served as the Governor of the Bank of Israel, and which are being continued by the eighth Governor, Dr. Stanley Fisher.

Dr. Klein's service with the International Monetary Fund also contributed to his experience and his familiarity with the global financial system and to his good relations with the entire international banking system.

As someone who has been involved with insurance and finance, with some 45 years of experience in the field, I believe that the substantial challenges that Bank Leumi faces in the coming years in the areas of risk management and regulation, require the appointment of an expert with national experience in the area of economics and finance. In the spirit of the words of the Supervisor of Banks, the election of the Board of Directors of Bank Leumi is required already in order to implement the lessons of the global financial crisis, and in order to strengthen the corporate governance of Bank Leumi with regard to supervision, control and the direction of the corporation's business. Dr. David Klein, as a past Governor of the Bank of Israel, has the knowledge, the experience and the ability to assist in the formulation of a considered and measured strategy for the Leumi Group. I wish to clarify that I have no and will have no economic, business, financial, familial or other ties with Dr. Klein. I turned to him for one reason only – because I believed and still believe that he is the most fitting candidate, whose appointment as Director would be the most suitable and beneficial for the Bank and for the investor community in general.

3. Summary

On 11 March 2010, we, the shareholder community, will be called upon to elect Directors for the Bank. We are presented with five suitable candidates, but I believe that one candidate – Dr. David Klein – is outstanding in his distinctiveness, from all the perspectives through which one can examine the list of candidates, and that the appointment of a person with experience and stature such as his to serve as a Director of the Bank will serve the Bank's best interest and that of all of its shareholders. We must express this fact through our vote.

_____/s/_____
_____/s/_____
_____/s/_____

Shlomo Eliahu Holdings, Ltd. Eliahu Insurance Company, Ltd. Shlomo Eliahu