

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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19 October 2010
2010-01-651831

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

Immediate Report

Nature of Event: Signing of a Memorandum of Understanding

Pursuant to the Immediate Report dated 30 August 2010, Bank Leumi le-Israel B.M. announces that yesterday evening (18 October 2010), a memorandum of understanding was signed between Bank Leumi le-Israel B.M. and/or a company under its control (“the **Bank**”) and M.B.S.T. Ltd. and Mivtach Shamir Holdings Ltd. (together: “**Mivtach**” or “the **Seller**”) with regard to the purchase of all of Mivtach’s (indirect) holdings in the Tnuva Group (“the **Memorandum of Understanding**”).

Pursuant to the Memorandum of Understanding, the Bank will purchase from the Seller 13.5% of the capital of EF.MS.TN. Holdings Ltd. (“the **SPV**”), representing some 10.36% of the Tnuva Group. In addition, the Bank will lead an investors’ consortium (“the **Additional Purchasers**”) who will be recruited by Leumi Partners Ltd., a company wholly owned by the Bank, for the purpose of purchasing the balance of Mivtach’s holdings in the SPV. The total of all the purchased shares will create a holding of some 26.9333% of the SPV and an indirect holding of some 20.6665% of the Tnuva Group. The Bank will, in accordance with its commitments to the Bank of Israel, sell 3.5% of the capital of the SPV within one year of the completion.

The Bank and the Additional Purchasers (together: “the **Purchasers**”) will pay cash consideration of some NIS 1,230 million (the “**Consideration Amount**”) to the Seller at

the time of the completion of the transaction. The exact Consideration Amount will be determined at the time of the completion in accordance with the size of the SPV's financial debt at that time, and will be subject to various adjustments specified in the Memorandum of Understanding.

The transaction will include an agreed upon adjustment mechanism, which will remain in force for a period of 4 years from the date of the completion, and which will commence operation upon the occurrence of a "sale event," which is defined in the Memorandum of Understanding as an initial public offering of the Tnuva group, or a transaction in the context of which control of the Tnuva group is sold and transferred to a third party ("a **Sale Event**"). If a Sale Event occurs, the SPV's value at the Sale Event's execution will be examined in comparison with the SPV's value for the purpose of the execution of the transaction pursuant to the Memorandum of Understanding. The Purchasers will receive a cash reimbursement if there is a negative differential between the value at which the Sale Event is executed and the value according to which the Purchasers paid the consideration to Mivtach; on the other hand, Mivtach will receive additional cash consideration from the Purchasers if there is a positive differential between the value at which the Sale Event is executed and the value according to which the Purchasers paid the transaction consideration – such reimbursement or additional consideration to be made according to formulas determined in the Memorandum of Understanding. The adjustment mechanism is subject to limitations, such that the reimbursement to the Purchasers cannot exceed some NIS 430 million, and the additional consideration (the upside payment) to the Seller cannot exceed some NIS 278 million.

The transaction pursuant to the Memorandum of Understanding is subject to the signature of detailed agreements between the Seller and the Purchasers, and is subject to the fulfillment of the conditions precedent specified in the Memorandum of Understanding, including the receipt of regulatory approvals, examinations to be carried out by the Purchasers at Tnuva group and the SPV, receipt of approval from the financing banks, and the signature of a shareholders' agreement between the Purchasers and the Apax Funds.

Reference numbers of previous documents relating to the matter (this reference does not constitute an inclusion by reference):

2010-01-605706

Date and time at which the corporation first became aware of the matter being the subject of the report: 18 October 2010 Time: 19:18.

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