

## **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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20 September 2010

2010-01-627342

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

### **Immediate Report on Convening of General Meeting**

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

1. On 20 September 2010, it was resolved to call a Special General Meeting.  
Registration No. of the security with the Tel Aviv Stock Exchange entitling the holders thereof to participate in the General Meeting: 604611  
The General Meeting will be held on Thursday, 4 November 2010 at 10:30 am at Lyn House, 35 Yehuda Halevi Street, Tel Aviv
2. The date for determining the right to participate in and vote at the General Meeting is 4 October 2010.
3. Items on the agenda:

Items on the agenda include:

Approval of actions or transactions which require authorization according to sections 255, 262 or 268-275 of the Companies Law, 1999 (the "Companies Law").

Additional items on the agenda: See Annex 2 "Details of the items on the agenda of the General Meeting" attached hereto.

Note: Details of the items on the agenda must include the material facts necessary to fully understand the issues being voted on at the Meeting.

The text of the proposed resolutions or summary of their main points:

See Annex 1 attached hereto.

To the best of the Company's knowledge, the controlling shareholder of the Company will not hold, on the date for determining the right to participate in and vote at the General Meeting, shares granting it the percentage necessary to approve all resolutions on the agenda of the General Meeting, assuming that the remaining shareholders participate in the vote and vote against such resolutions.

4. The text of the Voting Paper is attached hereto as Annex 3.

Address of the website at which one may vote, in a case where the company is allowing voting through the internet: N/A

E-mail address of the company for statutory submissions required by a Stock Exchange Member in a case where the company is allowing voting through the internet: N/A

5. Required legal quorum for holding the Meeting: Three members present in person.
6. In the absence of a legal quorum, the adjourned Meeting will be held on: 11 November 2010 at 11:00 am at Beit Lyn, 35 Yehuda Halevi Street, Tel Aviv.
7. Time and place for viewing each proposed resolution whose text is not fully presented in the above agenda: The registered office of the Bank, Leumi House (11<sup>th</sup> floor), the Secretariat of the Bank, 34 Yehuda Halevi Street, Tel Aviv, Sunday to Thursday between the hours of 8:00 and 15:00. It is noted that the offices of the management of the Bank are closed during chol hamoed Sukkot.

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***Bank Leumi's Immediate Reports are published in Hebrew on the Website of the Israel Securities Authority and the Tel Aviv Stock Exchange.  
The English translation is prepared for convenience purposes only.  
In the case of any discrepancy between the English and Hebrew versions, the Hebrew will prevail.***



## Annex 1

### **BANK LEUMI LE-ISRAEL B.M.**

#### **NOTICE TO HOLDERS OF ORDINARY STOCK**

Notice is hereby given that a special General Meeting of the Bank will be held at Lyn House, 35 Yehuda Halevi Street, Tel Aviv, on 4 November 2010 at 11:00 am, for the following purposes:

1. To approve the distribution of a cash dividend in the amount of NIS 500 million in respect of the first half of 2010, of some 33.93% of the paid-up capital (some NIS 0.34 for every NIS 1.0 par value of ordinary stock), constituting some 39.8% of the net profit for the first half of 2010, to be paid on 30 November 2010 to shareholders holding shares of the Bank on 16 November 2010 (the record date for entitlement to the dividend);
2. To approve the terms of employment of the Chairman of the Board of Directors, Mr. David Brodet. The main terms of the contractual relationship are described below:
  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. Period of employment and the conclusion thereof: 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 6 below.
  3. 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

6 below – regarding advance notice, and in section 7 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.

4. 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**.”)
5. 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:  
8.33% - for severance pay.  
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.
6. 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:

- 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.
- 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.

7. 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).
8. Cooling-off and non-competition period: 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.  
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.
9. 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.
10. 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 5 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).
11. 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.

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

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

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

- 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).

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

- 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.

3. To approve a framework resolution that will authorize the Bank in advance to purchase an insurance policy in respect of the liability of directors and other officers within the Bank and in the Group (the "**Policy**"), from time to time, without such purchase requiring additional approval of the General Meeting, all subject to the following conditions:

1. The duration of the resolution: the purchase by the Bank of the insurance policy for directors and other officers will be undertaken for a number of insurance periods: beginning at the end of period of the current insurance policy and until (and not later than) the end of 2015.

The current insurance policy was approved by the Bank's General Meeting on 2 June 2010, and will remain in force until the end of October 2010 (the "**Current Insurance Policy**.")

2. The policies may be purchased by way of the extension of the Policy and/or its renewal, or through the purchase of a different policy, when needed.

3. The Audit Committee, and afterwards, the Board of Directors shall approve all purchases of a Policy (as described above) and will, in connection with each purchase of a Policy, confirm that its terms are reasonable and do not adversely affect the Bank, taking into consideration the exposure of the officers and of the Bank, the scope of the coverage and market conditions, provided that:

3.1 The limit of liability covered by the group Policy is not less than 200 million dollars and does not exceed 350 million dollars per incident and per period (with a right of reinstatement in an amount that does not exceed 350 million

dollars), with the addition of the annual rate of the dollar's depreciation against the New Israel Shekel (to the extent there is such depreciation).

3.2 Premium for the policy: the annual premium in respect of the policy does not exceed the amount of the premium for the Current Insurance Policy (some 1.7 million dollars), with the addition of up to 15% each year, up to an annual premium which does not in any event exceed 3 million dollars.

The majority required to approve the resolutions on the agenda is an ordinary majority of the total voting rights of the stockholders entitled to vote and who voted in person (including by means of a voting paper with respect to Items 2 and 3) or by proxy.

The date for determining the entitlement of all stockholders to vote at the General Meeting is 4 October 2010 (the "record date").

**A stockholder entitled to attend and vote may vote by means of a voting paper, pursuant to the Companies Law and the Companies (Written Voting and Position Papers) Regulations, 2005 (the "Regulations"), such being in respect of Items 2 and 3 on the agenda only.**

The addresses of the distribution website of the Israel Securities Authority (the "Securities Authority") and of the internet website of the Tel Aviv Stock Exchange Ltd. (the "Stock Exchange"), at which the text of the voting paper and the position papers (as defined in Section 88 of the Companies Law) are obtainable:

Distribution website of the Securities Authority: <http://www.magna.isa.gov.il/>  
Website of the Stock Exchange: <http://maya.tase.co.il/>

Voting by means of a voting paper is to be done on the Second Part of the voting paper as published on the distribution website of the Securities Authority.

A stockholder may apply to the Bank directly and receive the text of the voting paper and the position papers.

A Stock Exchange member will send via electronic mail, free of charge, the link to the voting paper and the position papers on the distribution site of the Securities Authority to all stockholders not registered in the Register of Shareholders and whose stock is registered with such Stock Exchange member, unless the stockholder has given notice that he does not wish to receive same, provided that the notice was given in respect of a particular securities account and at a date prior to the record date.

A stockholder whose stock is registered with a Stock Exchange member is entitled to receive a certificate of ownership from the Stock Exchange member through which he holds his stock, at a branch of the Stock Exchange member or via mail to his address against payment of the delivery charge only, if so requested. Such a request is to be made in advance in respect of a particular securities account.

The final date for delivery of position papers to the Bank is: 14 October 2010.

The final date for delivery of voting papers to the Bank is: 1 November 2010, at 11:00 am.

Apart from the option of voting by means of a voting paper in respect of Items 2 and 3 on the agenda as mentioned above, a stockholder entitled to attend and vote may appoint a proxy or proxies to attend and vote on his or her behalf at the General Meeting regarding all items on the agenda. A proxy need not be a stockholder of the Bank.

To be effective, the proxy, together with the power of attorney (if any) under which it is signed, must reach the registered office of the Bank no less than 48 hours prior to the time of the Meeting – i.e., by 2 November 2010 at 11:00 am. In the case of stockholders who are not registered in the Register of Shareholders, he/she must attach to the proxy a certificate of ownership from a Stock Exchange member, in accordance with the Companies (Proof of Ownership of Shares for the Purpose of Voting at a General Meeting) Regulations, 2000.

It is hereby clarified that a stockholder or a holder of a power of attorney who wishes to be present and/or to vote at the Meeting must bring the following documents, which he will be required to present:

- (1) An identification card or passport or valid driver's license;
- (2) A certificate of ownership which is valid as of the record date, 4 October 2010.

**Anyone who is not a stockholder or who is a stockholder without a proof of ownership which is valid as of the record date, 4 October 2010, may not be present and may not vote at the General Meeting.**

A stockholder whose shares are registered in his name in the Bank's shareholders register will not be required to bring such a certificate of ownership.

Tel Aviv, 20 September 2010

By Order of the Board of Directors

Yael (Ben Moshe) Rudnicki, Adv.  
Group Secretary



**Annex 2**  
**Details of the Items on the Agenda of the General Meeting:**

**Item 1: Approval of the Distribution of a Dividend in respect of the First Half of 2010**

**Description of Item:** In light of the Bank's capital policy, and given the Bank's high capital adequacy ratios, which exceed what is required by the Supervisor of Banks' directives, and in light of the Bank's profitability during the first half of 2010, the Board of Directors has, at its meeting held on 30 August 2010, after obtaining an accounting and legal opinion that all the conditions for a permitted distribution pursuant to the Companies Law, 1999 have been met, recommended that the General Meeting approve the distribution of a cash dividend of NIS 500 million.

**Text of the Resolution:** To approve the distribution of a cash dividend in the amount of NIS 500 million in respect of the first half of 2010, of some 33.93% of the paid-up capital (some NIS 0.34 for every NIS 1.0 par value of ordinary stock), constituting some 39.8% of the net profit for the first half of 2010, to be paid on 30 November 2010, to shareholders holding shares on 16 November 2010 (the record date for the purpose of entitlement to the dividend).

**Required Majority:** An ordinary majority of the total voting rights of the stockholders entitled to vote and who voted in person or by proxy.

**Item 2: Approval of the terms of employment for the Chairman of the Board of Directors**

**Description of Item:**

Mr. David Brodet (the "Chairman") 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).

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.

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.

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.

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.

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.

#### **The main points of the terms of the contractual relationship between the Bank and the Chairman**

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. Period of employment and the conclusion thereof: 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 6 below.
3. 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 6 below – regarding advance notice, and in section 7 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.

4. 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**.”)
5. 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:  
8.33% - for severance pay.  
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.
6. 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:
  - 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.
  - 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.
7. 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).

8. Cooling-off and non-competition period: 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.  
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.
9. 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.
10. 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 5 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).
11. 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.

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

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

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

- 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).

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

- 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.

Text of the Resolution: To approve the terms of employment for the Chairman of the Board of Directors, Mr. David Brodet, as specified above.

Required Majority: An ordinary majority of the total voting rights of the stockholders entitled to vote and who voted in person or by proxy (including by means of a voting paper).

Item 3: The approval of the a framework resolution concerning a directors and officers insurance policy (D&O)

Description of Item:

The General Meetings of the Bank have from time to time approved the renewal and purchase of insurance policies in respect of the liability of the directors and other officers of the Bank and the Group. The Bank's Annual General Meeting, held on 2 June 2010, approved the purchase of an insurance policy in respect of the liability of directors and other officers of the Bank and the Group for a period of 12 months, beginning on 1 November 2009, which includes coverage of up to 260 million dollars, for a premium which does not exceed 1.7 million dollars.

Following the approval of the Audit Committee of the Board of Directors of 20 September 2010 and of the Board of Directors of 20 September 2010, it is proposed that the General Meeting approve a framework resolution that will authorize the Bank in advance to purchase an insurance policy in respect of the liability of directors and other officers within the Bank and in the Group, from time to time, without such purchase requiring additional approval of the General Meeting, all subject to the following conditions.

Text of the Resolution: To approve a framework resolution that will authorize the Bank in advance to purchase an insurance policy in respect of the liability of directors and other officers within the Bank and in the Group (the "**Policy**"), from

time to time, without such purchase requiring additional approval of the General Meeting, all subject to the following conditions:

1. The duration of the resolution: the purchase by the Bank of the insurance policy for directors and other officers will be undertaken for a number of insurance periods: beginning at the end of period of the current insurance policy and until (and not later than) the end of 2015.

The current insurance policy was approved by the Bank's General Meeting on 2 June 2010, and will remain in force until the end of October 2010 (the "**Current Insurance Policy**.")

2. The policies may be purchased by way of the extension of the Policy and/or its renewal, or through the purchase of a different policy, when needed.
3. The Audit Committee, and afterwards, the Board of Directors shall approve all purchases of a Policy (as described above) and will, in connection with each purchase of a Policy, confirm that its terms are reasonable and do not adversely affect the Bank, taking into consideration the exposure of the officers and of the Bank, the scope of the coverage and market conditions, provided that:
  - 3.1 The limit of liability covered by the group Policy is not less than 200 million dollars and does not exceed 350 million dollars per incident and per period (with a right of reinstatement in an amount that does not exceed 350 million dollars), with the addition of the annual rate of the dollar's depreciation against the New Israel Shekel (to the extent there is such depreciation).
  - 3.2 Premium for the policy: the annual premium in respect of the policy does not exceed the amount of the premium for the Current Insurance Policy (some 1.7 million dollars), with the addition of up to 15% each year, up to an annual premium which does not in any event exceed 3 million dollars.

Required Majority: An ordinary majority of the total voting rights of the stockholders entitled to vote and who voted in person or by proxy (including by means of a voting paper).

### Annex 3

## **BANK LEUMI LE-ISRAEL B.M.**

**Voting Paper pursuant to the Companies (Written Voting and Position Papers) Regulations, 2005 (the "Regulations") in respect of the Special General Meeting to be held on 4 November 2010.**

### First Part

1. Name of Company: Bank Leumi le-Israel B.M. (the "Bank").
2. Type of General Meeting, Date and Place at which to be Held: Special General Meeting. The General Meeting will be held on 4 November 2010 at 11:00 am at the offices of the Bank at Lyn House, 35 Yehuda Halevi Street, Tel Aviv. Should the Meeting be adjourned, the adjourned Meeting will be held on 11 November 2010, at the same place and time.
3. Details of the Items on the Agenda in relation to which one may vote by means of a Voting Paper:

Item 2 on the Agenda – Approval of the terms of employment for the Chairman of the Board of Directors:

Mr. David Brodet (the "Chairman") 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).

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.

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.

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.

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.

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.

#### **The main points of the terms of the contractual relationship between the Bank and the Chairman**

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. Period of employment and the conclusion thereof: 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 6 below.
3. 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 6 below – regarding advance notice, and in section 7 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.



4. 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**.”)
5. 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:  
8.33% - for severance pay.  
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.
6. 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:  
- 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.  
- 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.
7. 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).

8. Cooling-off and non-competition period: 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.  
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.
9. 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.
10. 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 5 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).
11. 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.
12. Vacation days, recovery days and sick days: As is standard for senior managers pursuant to the Bank’s internal practices.
13. Accompanying conditions: During the Employment Period, the Chairman will be entitled to benefits as is standard for senior managers at the Bank:
  - Expenses: Reimbursement of reasonable expenses incurred by him for the purpose of carrying out his function, as is standard at the Bank.
  - 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).
  - Telephone: The Chairman will be entitled to a landline telephone and a cellular telephone. (The telephone expenses will be included within his salary).

-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.

Text of the Resolution: To approve the terms of employment for the Chairman of the Board of Directors, Mr. David Brodet, as detailed above.

Required Majority: An ordinary majority of the total voting rights of the stockholders entitled to vote and who voted in person or by proxy (including by means of a voting paper).

Item 3 on the Agenda - The approval of the a framework resolution concerning a directors and officers insurance policy (D&O)

The General Meetings of the Bank have from time to time approved the renewal and purchase of insurance policies in respect of the liability of the directors and other officers of the Bank and the Group. The Bank's Annual General Meeting, held on 2 June 2010, approved the purchase of an insurance policy in respect of the liability of directors and other officers of the Bank and the Group for a period of 12 months, beginning on 1 November 2009, which includes coverage of up to 260 million dollars, for a premium which does not exceed 1.7 million dollars.

Following the approval of the Audit Committee of the Board of Directors of 20 September 2010 and of the Board of Directors of 20 September 2010, it is proposed that the General Meeting approve a framework resolution that will authorize the Bank in advance to purchase an insurance policy in respect of the liability of directors and other officers within the Bank and in the Group, from time to time, without such purchase requiring additional approval of the General Meeting, all subject to the following conditions.

Text of the Resolution: To approve a framework resolution that will authorize the Bank in advance to purchase an insurance policy in respect of the liability of directors and other officers within the Bank and in the Group (the "**Policy**"), from time to time, without such purchase requiring additional approval of the General Meeting, all subject to the following conditions:

1. The duration of the resolution: the purchase by the Bank of the insurance policy for directors and other officers will be undertaken for a number of insurance periods: beginning at the end of period of the current insurance policy and until (and not later than) the end of 2015.

The current insurance policy was approved by the Bank's General Meeting on 2 June 2010, and will remain in force until the end of October 2010 (the "**Current Insurance Policy.**")

2. The policies may be purchased by way of the extension of the Policy and/or its renewal, or through the purchase of a different policy, when needed.

3. The Audit Committee, and afterwards, the Board of Directors shall approve all purchases of a Policy (as described above) and will, in connection with each purchase of a Policy, confirm that its terms are reasonable and do not adversely affect the Bank, taking into consideration the exposure of the officers and of the Bank, the scope of the coverage and market conditions, provided that:

3.1 The limit of liability covered by the group Policy is not less than 200 million dollars and does not exceed 350 million dollars per incident and per period (with a right of reinstatement in an amount that does not exceed 350 million dollars), with the addition of the annual rate of the dollar's depreciation against the New Israel Shekel (to the extent there is such depreciation).

3.2 Premium for the policy: the annual premium in respect of the policy does not exceed the amount of the premium for the Current Insurance Policy (some 1.7 million dollars), with the addition of up to 15% each year, up to an annual premium which does not in any event exceed 3 million dollars.

Required Majority: An ordinary majority of the total voting rights of the stockholders entitled to vote and who voted in person or by proxy (including by means of a voting paper).

4. Place and Time at which the Full Text of the Proposed Resolutions may be Examined: The full text of the proposed resolutions may be examined at distribution website of the Israel Securities Authority and the internet website of the Tel Aviv Stock Exchange Ltd., or at the Secretariat of the Bank at the Bank's registered office, Leumi House, 34 Yehuda Halevi Street (11<sup>th</sup> floor), Tel Aviv, tel. 972-3-5149716, between the hours of 8:00 and 15:00.
5. The voting paper will only be valid if an unregistered shareholder's certificate of ownership as of the record date is attached thereto (that is, a person in whose name ordinary stock of the Bank is registered with a Stock Exchange Member, and such stock is included in the stock registered in the Register of Shareholders in the name of the nominee company (Hevra Le-Rishumim)). In the case of holders of shares (stock) registered in the Register of Shareholders of the Bank, the voting paper will only be valid if a copy of an identity document, passport or certificate of incorporation is attached thereto. This voting paper, together with the previously mentioned attachments, must reach the Bank at least 72 hours before the time of the vote (by 1 November 2010 at 11:00 am).
6. Address of the Bank for the Delivery of Voting Papers and Position Papers: The Bank's registered office, Leumi House, 34 Yehuda Halevi Street, Tel Aviv 65546, for the attention of the Secretariat of the Bank (11<sup>th</sup> floor).
7. Final Date for the delivery of Voting Papers to the Bank: 1 November 2010 at 11:00 am

8. Final Date for the delivery of Position Papers to the Bank: 10 days following the record date i.e. by 14 October 10.
9. Final Date for the delivery of the Response of the Board of Directors to the Position Papers: 22 October 2010.
10. Address of the distribution website of the Israel Securities Authority and of the internet website of the Tel Aviv Stock Exchange Ltd. (the "Stock Exchange"), at which voting papers and position papers are made available:
  - Distribution website of the Israel Securities Authority: <http://www.magna.isa.gov.il/>
  - Internet website of the Stock Exchange: <http://maya.tase.co.il/>
11. A stockholder is entitled to receive the certificate of ownership at a branch of a Stock Exchange member or via mail, if so requested. Such a request is to be made in advance in respect of a particular securities account.
12. An unregistered stockholder is entitled to receive, via electronic mail and free of charge, the link to the voting paper and position papers on the distribution site of the Securities Authority from the Stock Exchange member through which he holds his stock, unless he notifies the Stock Exchange member that he does not wish to receive the said link or that he wishes to receive voting papers via mail for payment; notice with regard to voting papers also applies to the receipt of position papers.

One or more stockholders who, on the record date (4 October 2010), hold an amount constituting five percent or more of the total voting rights in the Bank, and the holder of said amount out of the total voting rights that are not held by the controlling shareholder of the Bank (as defined in Section 268 of the Companies Law (the "Controlling Shareholder")), is entitled to examine the voting papers as detailed in Regulation 10 of the Regulations, following the holding of the General Meeting, either personally or through a representative, at the registered office of the Bank during normal business hours.

The amount of stock constituting 5% of the total voting rights of the Bank is NIS 73,677,561\* par value ordinary stock of the Bank.

The amount of stock constituting 5% of the total voting rights of the Bank that are not held by the Controlling Shareholder is NIS 65,234,685\* par value ordinary stock of the Bank.

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\* As of 19 September 2010.

## **Voting Paper – Second Part**

Companies (Written Voting and Position Papers) Regulations, 2005 (the "Regulations")

Name of Company: Bank Leumi le-Israel B.M.

Address of the Company (for delivery and sending of voting papers): Leumi House, 34 Yehuda Halevi Street, Tel Aviv 65546 (11<sup>th</sup> floor), for the attention of the Secretariat of the Bank

Company No.: 52-001807-8

Date of Meeting: 4 November 2010, at 11:00 am

Type of Meeting: Special

Record Date: 4 October 2010

(To here to be completed by the Company)

### **Details of Shareholder**

Name of Shareholder (Ordinary Stock): \_\_\_\_\_

Identity No.: \_\_\_\_\_

If the shareholder is not a holder of an Israeli Identity Document –

Passport No.: \_\_\_\_\_

Country of Issue: \_\_\_\_\_

Expiry Date: \_\_\_\_\_

If the shareholder is a corporation –

Registered No.: \_\_\_\_\_

Country of Registration: \_\_\_\_\_

**Manner of Voting**

Item Number on the Agenda	Manner of Voting <sup>1</sup>		
	In Favor	Against	Abstain
2			
3			

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

**Stockholders who hold stock through a Stock Exchange member (pursuant to Section 177(1) of the Companies Law) – the voting paper is only valid together with a certificate of ownership.**

**Stockholders registered in the Register of Shareholders of the Bank – the voting paper is only valid together with a copy of an identity document/passport/certificate of incorporation.**

<sup>1</sup> Failure to complete will be considered abstention from voting with regard to the relevant Item.