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Public

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

Immediate Report

Nature of Event: Amendment of Bonus Program for Senior Managers

Attached is Annex _____

Date and time at which the corporation first became aware of the matter being the subject of the report: 22 September 2011 Time: 11:15.

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Immediate Report

Bank Leumi le-Israel B.M. (“the **Bank**”) is pleased to announce the following:

On 22 September 2011, the Bank’s Board of Directors held its annual discussion regarding examination of the bonus program for the Bank’s senior managers, and after receiving the recommendations of the Audit Committee and of the Administration Committee of the Board of Directors, resolved to update the bonus program as followings (subject to the General Meeting’s approval, with regard to the Chairman of the Board of Directors.)

Regarding the bonus program that was approved in March 2010 (the “**Bonus Program**”), see the Immediate Report dated 10 March 2010 (Reference: 2010-010-409548) (the “**Previous Immediate Report**”)

1. The following, *inter alia*, were the considerations and justifications that guided the Board of Directors, the Audit Committee and the Administration Committee of the Board of Directors, in their decision to update the Bonus Program:

1.1 The need to update and to adapt the Bonus Program to the changes that have occurred within the Bank’s Management, as follows:

1.1.1 The number of senior managers at the Bank who are entitled to compensation pursuant to the Bonus Program has increased from 13 to 14 senior managers (and to 15 senior managers for part of the year 2011). Since the Bonus Program was established for 13 participating senior managers, the program provides (Section 2.5.4.6 of the Previous Immediate Report) that if the number of senior managers should increase, the program would be adapted pursuant to a resolution of the Board of Directors. Regarding the resignations and appointments of senior managers in the Bank, see the Bank’s Immediate Reports.

1.1.2 Changes have occurred in the structure of Management, in accordance with the Board of Directors resolution adopted at the end of March 2011. Among the changes made, the Board of Directors had decided on a series of promotions, distribution of responsibility and of powers, and a granting of ranks to senior managers at the Bank. See the Immediate Report dated 31 March 2011 (reference: 2011-01-13932).

1.2 The need and desire to also partially compensate the senior managers who had actually worked for less than six months during the course of that calendar year, such as senior managers who are retiring from the Bank, such provision of compensation to be pursuant to a resolution of the Board of Directors and at its discretion.

- 1.3 The examination and rethinking of the provisions of the compensation program after two years, taking note of the program's actual implementation, and an examination of the impact of the Bank's activity on the program's results and of the program's impact on the Bank's activity.
 - 1.4 The position of the Bank's President and Chief Executive Officer regarding the need to amend the program, as a result of administrative needs arising from structural changes at the Bank and from a change in the number of the members of Management, was presented to the Board of Directors and to its committees. It is noted and clarified that neither the Chairman of the Board of Directors nor the President and Chief Executive Officer or any members of Management were present at the time that the Board of Directors and the Audit Committee and the Administration Committee held their discussions of this matter and adopted their resolutions.
2. As a result of the above, the scope of the overall annual bonus for the senior managers (both the positive bonus and the negative bonus) needs to be changed, and it needs to be adapted to the increase in the number of the members of Management and to the changes in the status of the members of the Management, as explained above in this resolution. It is clarified that the upper limit of the possible overall bonus will not change and remains NIS 30 million. Additionally, the maximum negative bonus has not been changed and it remains NIS 20 million. It is further clarified that no change or update has been carried out with respect to the share of the Chairman of the Board of Directors or with respect to share of the President and Chief Executive Officer.

Thus, the scope of the overall annual bonus for senior managers (both positive and negative) for 2012 and onwards will be adjusted by 9%, and with respect to the change that occurred during the course of the year 2011, the scope of the overall annual bonus for senior managers (both positive and negative) will be adjusted by some 6%.

Thus, as an example, for the year 2011: if the amended rate of return is 9%, the scope of the overall bonus will be 0.7208% (instead of 0.68%); if the amended rate of return is 10%, the scope of the overall bonus will be 0.901% (instead of 0.85%); and so on. The scope of the overall negative bonus will be 1.06% (instead of 1%) of the "determinative return differential." And for the year 2012 as well: if the amended rate of return is 9% the scope of the overall bonus will be 0.7412% (instead of 0.68%); if the amended rate of return is 10%, the scope of the overall bonus will be 0.9265% (instead of 0.85%); and so on. The scope of the overall negative bonus will be 1.09% (instead of 1%) of the "determinative return differential."

3. The normative ratios for division of the overall bonus have been adjusted to the change in the scope of the overall bonus and since no change or update has been carried out with respect to the share of the Chairman of the Board of Directors or with respect to the share of the President and Chief Executive Officer, their normative shares have decreased proportionately. The share of the Chairman of the Board of Directors has decreased to

15.56% in 2011 and to 15.31% in 2012 (instead of 16.7%) and that of the President and Chief Executive Officer has dropped to 19.7% in 2011 and to 19.14% in 2012 (instead of 20%).

4. It was also decided to add and amend, beginning in the year 2012, the provisions of the compensation program regarding the entitlement to a bonus of a senior manager serving during only a part of the year. The program had provided that the Board of Directors would conduct a detailed examination of the entitlement of a senior manager to a partial bonus, if there is entitlement to any bonus at all, only if the senior manager had retired from the Bank or concluded his term of office other than at his own initiative during the calendar year and had actually served for at least six months. After the amendment, this authority of the Board of Directors to examine whether a senior manager who has retired¹ from the Bank or concluded his term of office other than at his own initiative will be entitled to a partial bonus as stated, will also apply if the said senior manager has actually served for less than six months.

¹ Including those retiring at an age at which, pursuant to the personal employment agreement between the senior manager and the Bank, the senior manager is entitled to retire and receive 200% of his severance pay.