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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

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

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Nature of Event: Answers to Questions Regarding Terms of Retirement 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: 23 May 2010 Time: 14:00.

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Immediate Report

Pursuant to questions that have been raised regarding the terms for the Chairman of the Board of Directors' retirement, which will be presented to the General Meeting of Bank Leumi le-Israel Ltd. (the "Bank") on 2 June 2010, the Bank clarifies the following details.

1. The terms for the Chairman of the Board of Directors' retirement have already been updated twice in the past. The first time was after he had served as the Chairman for six years, in 2001. It was decided that upon the Chairman's involuntary retirement, he would be granted severance pay in the amount of six salaries, corresponding to the number of years he had served (as of then) at the Bank. It was also decided that a cooling-off period of six months would be imposed on the Chairman.

The second time was after he had served as Chairman at the Bank for eight and one half years, in 2004. It was decided to increase the severance pay for the Chairman of the Board of Directors to nine salaries, corresponding to the number of years he had served (as of then) at the Bank.

According to this system of updates, the Chairman of the Board of Directors was awarded severance pay in the amount of one salary for each year of employment, in addition to the Chairman's severance pay and provident fund. In other words - severance pay in the amount of 200%, until the date of the relevant update.

It is clarified that such an update of the retirement terms is to be detached from the matter of whether the Chairman's term of office has ended, and when he intends to retire from his position.

2. The discussions of the Board of Directors and in its committees regarding the amendment of the terms for the Chairman of the Board of Directors' retirement (for the third time) began on 31 May 2009, against the background of the Supervisor of Banks' letter regarding "Compensation Policy for Banking Corporations" of 5 April 2009. For this purpose, the Board of Directors' Administration Committee established three sub-committees: a sub-committee for the formulation of guidelines for the Bank's compensation policy; a sub-committee for the formulation of recommendations for the compensation program for senior Bank employees, and a sub-committee for the examination of the updating of the terms for the Chairman of the Board of Directors' retirement.
3. During the months of June-August 2009, the sub-committee for the examination of the updating of the terms for the Chairman of the Board of Directors' retirement and the Administration Committee decided – after examining, *inter alia*, the data regarding compensation and retirement terms for the Chairman of the Board of Directors, the standard retirement terms at the Bank, and the standard retirement terms within the banking system in Israel and in similar

corporations within the economy – that the additional severance pay to which the Chairman of the Board of Directors will be entitled should be one and a half salaries for each year of service (a total of 22.5 salaries). In other words, an addition of 13.5 salaries to the existing terms for the Chairman of the Board of Directors' retirement (which amounted to 9 salaries) and thus making his situation comparable to that of a senior manager at the Bank. A senior manager at the Bank is entitled to choose between 200% of their severance pay or a pension from the Bank. A senior manager at the Bank who is not entitled to an immediate pension is also entitled to choose 250% of their severance pay. Since the Chairman of the Board of Directors is not entitled to a pension from the Bank, it was recommended that he be entitled to 250% of his severance pay.

In July of 2009, representatives of the Board of Directors' Administration Committee met with the Bank's Shares Committee regarding the updating of the Chairman's retirement terms. The Bank's Shares Committee announced in August 2009 that it would support an update of the retirement terms, such that the Chairman will be entitled to one salary for each year of service (a total of 15 salaries, i.e. 200% of his severance pay), and to a special grant in the amount of 7.5 salaries, such that in total, the Chairman will be entitled to 250% of his severance pay. The Shares Committee also clarified that the severance pay will include payment for a three month early notice period, and will not be in addition to his severance pay. These agreements of the Shares Committee were not related to the Chairman's retirement (or to a failure to present himself for re-election), since at that time it was not clear whether or not he would present himself for re-election.

In September 2009, the Board of Directors' authorized committees decided to cancel the differentiation between the dismissal or retirement of the Chairman of the Board of Directors' with respect to his entitlement to the proposed retirement terms, and that the Chairman of the Board of Directors' cooling-off period would be extended from six months to twelve months, and that the Chairman, in addition to his non-compete obligation in the agreement between him and the Bank, would undertake not to take any position whatsoever in an insurance company during his cooling-off period. (This period was later shortened to nine months). It is clarified that the early notice entitlement will overlap with the cooling-off period.

4. Also this time, the Board of Directors' committees approved the updating of the retirement terms before it became known that the Chairman did not intend to present himself for election as a Director of the Bank at the 2010 General Meeting.
5. The Board of Directors' representatives met again with the Bank's Shares Committee on 14 January 2010. On 17 January 2010, the Shares Committee further confirmed that it would support the extension of the cooling-off period to 9 months (instead of a year as had been decided by the authorized committee) and to expand the conditions of the non-compete obligation towards with the Bank to

insurance companies as well, and that it would support the cancellation of the differentiation between the dismissal or retirement of the Chairman of the Board of Directors with respect to the Chairman's entitlement to the retirement terms (on the assumption that under the circumstances that had developed, the Chairman of the Board of Directors would not be presenting himself for re-election).

6. On 24 January 2010, the Chairman of the Board of Directors announced that he did not intend to present himself for election as a Director at the upcoming General Meeting.

7. On 31 January 2010, the Board of Directors resolved to call a Special General Meeting, at the request of Shlomo Eliahu Holdings Ltd. In light of all this, the Board of Directors decided not to wait for the Annual General Meeting for the purpose of approving the Chairman's retirement terms, and to place the subject on the agenda of the Special General Meeting; this being following the approval by the Bank's Audit Committee, and thereafter the Board of Directors, of the Administration Committee's recommendations as described above.