

Translation of Immediate Report

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Public

Bank Leumi le-Israel B.M.
Registration No. 520018078
Securities of the Corporation are listed on The Tel Aviv Stock Exchange
Abbreviated Name: Leumi
34 Yehuda Halevi Street, Tel Aviv 651316
Phone: 076-8858111, 076-889419; Facsimile: 076-8859732
Electronic Mail: Yaelru@bll.co.il

22 December 2014

Reference: 2014-01-228150

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

Immediate Report on an Event or Matter Outside of the Company's Ordinary Regular Business, the Reporting of which was Delayed in Accordance with Regulation 36(b) of the Securities (Periodic and Immediate Reports) Regulations, - 5730-1970

Regulation 36(b),(c) of the Securities (Periodic and Immediate Reports) Regulations, 5730-1970

1. See attached Annex.
2. The reason for which the filing of the report was delayed: As detailed in the attached report
3. Date and time at which the reason for the prevention of the report was removed: 22 December 2014 Time: 22:00.

Reference numbers of previous documents in this regard (does not constitute incorporation by reference):

Name of Electronic Reporter: Yael Rudnicki, Position: Group Secretary
Yehuda Halevi Street 34, Tel Aviv 6513616, Phone: 076-8859419, Facsimile: 076-8859732
Electronic Mail: Yaelru@bll.co.il

Note: English translations of Immediate Reports of Bank Leumi are for convenience purposes only. In the case of any discrepancy between the English translation and the Hebrew original, the Hebrew will prevail.

The original Hebrew version is available on the distribution website of the Israel Securities Authority: <http://www.magna.isa.gov.il/>

22 December 2014

The Tel Aviv Stock Exchange
2 Ahuzat Bayit Street
Tel Aviv 6525216

Israel Securities Authority
22 Kanfei Nesharim Street
Jerusalem 95464

Dear Madam/Sir,

Re: Arrangements with the Authorities in the US

Further to the details provided in Note 6(E)(2) to the Financial Statements of Bank Leumi le-Israel B.M. (the "**Bank**"), published on 24 November 2014 (Ref: 2014-01-201516) (the "**Note to the Financial Statements**"), the Bank reports as follows:

1. On 22 December 2014, arrangements were signed with two US authorities:
 - 1.1. A Deferred Prosecution Agreement ("**DPA**") with the the United States Department of Justice (the "**DOJ**"), the significance of which is that no criminal conviction is being imposed on the Leumi Group, on condition that the conditions detailed as follows are met.
 - 1.2. A Consent Order with the New York Department of Financial Services (the "**DFS**").
2. The Arrangement with the DOJ
 - 2.1. The arrangement with the DOJ is subject to the approval of the Federal Court of the State of California, USA, and does not include a criminal conviction.
 - 2.2. Pursuant to the arrangement with the DOJ, the Leumi Group will pay an overall amount of US\$270 million to the US government.
 - 2.3. In addition, the Leumi Group will take upon itself various undertakings related to the activities with US customers (for example, implementation of FATCA, appointment of an officer who will be responsible for implementation of FATCA, appointment of persons in the Bank and the subsidiaries who will be responsible for implementation and supervision, planning and execution, and so on), as detailed in the arrangement.
 - 2.4. The arrangement with the DOJ includes the filing of an indictment, the hearing of which is suspended, such that if the Bank complies with the conditions of the DPA for a period of two years (the "**Agreement Period**"), the indictment will be cancelled and no criminal conviction will be imposed in any case on any of the bodies in the Group. Should the

- conditions be breached, the DOJ will be entitled to extend the Agreement Period for additional period of one year at a time, so as to allow for rectification of the breach, although the overall Agreement Period, following extensions, may not exceed four years.
- 2.5. In case of a breach of the DPA, the DOJ will be entitled to cancel the arrangement, and in such a case, the amount paid by the Leumi Group pursuant to the arrangement will not be returned, but the US government will recommend that the court take into account the amount which has been paid.
 - 2.6. The arrangement with the DOJ includes, inter alia, a document containing agreed to facts regarding the activities of the Leumi Group during 2002-2010, including actions which constitute assisting US customers with evasion of payment of tax to the US authorities.
 - 2.7. In addition, the arrangement includes an Information appendix, which is an indictment, the hearing of which is suspended and will be cancelled, without conviction, at the end of the Agreement Period, subject to the Bank complying with the conditions of the DPA.
3. The Arrangement with the DFS
 - 3.1. Pursuant to the arrangement with the DFS, which is a Consent Order, the Leumi Group will pay the DFS a civil financial sanction of US\$130 million.
 - 3.2. The Consent Order includes various undertakings as detailed therein, including an undertaking of BLUSA to appoint a monitor (external person to be selected by the DFS) for a period of one year, who will examine the Leumi Group's compliance program, and will supervise its reporting and compliance policy, with a view to complying with legal provisions and regulations of the United States and the State of New York. The monitor will present periodic reports to the Board of Directors of BLUSA and to the DFS, which will include recommendations for improvements and amendment of defects, to the extent that such are found.
 4. The amounts to be paid to the US authorities pursuant to the said arrangements have been provided for in the Bank's Financial Statements, and therefore no additional provision is expected in respect of the arrangements with the DOJ and the DFS.
 5. The coming into affect of the said arrangements will bring to a close the investigations being carried out by the DOJ and the DFS against the Bank and a number of its subsidiaries (as mentioned above and from hereon, the "**Leumi Group**"), relating to the Bank's assisting in the evasion of payment of tax by the Group's US customers. As mentioned in the Note to the

Financial Statements, a proceeding vis-à-vis the US Securities and Exchange Commission (SEC) in the same regard is still pending.

6. The said arrangements relate to the Leumi Group's responsibility only, and do not grant any exemption to officers or employees of the Group.
7. The said arrangements were approved by the Bank's Board of Directors on 8 December 2014. Pursuant to Regulation 36(b) of the Securities Regulations (Periodic and Immediate Reports), 1970, the Bank delayed the reporting in relation to the abovementioned Board of Directors' approval, until receipt of the required approvals from the US authorities. This was done in order to prevent possible hindrance of the completion of the arrangements with the US authorities, in light of the US authorities' request not to publish the information until the approval of the arrangements by the said authorities.

Yours faithfully,

Bank Leumi le-Israel B.M.

By:

Prof. Daniel Tsiddon

Hanan Friedman, Chief Legal Advisor