

## Translation of Immediate Report

T125  
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: David\_S@bll.co.il

Transmission Date: September 6 2022  
Reference: 2022-01-114262

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 of Rating of Bonds/Rating of a Corporation, or Withdrawal of Rating

On *September 6 2022*, *Midroog* published the following:

Rating report/notice: *Initial*

1. Rating report or notice

Rating of the corporation: \_\_\_\_\_

Comments/Nature of Notice: \_\_\_\_\_

Rating history for the 3 years preceding the date of the rating/notice:

Date	Subject of Rating	Rating	Comments/ Nature of Notice

**Explanation:** As part of the rating history, one should only provide the details of the rating history of the rating agency which is the subject matter of the immediate report.

Rating of the corporation's bonds:

Security name & type	TASE Security No.	Rating agency	Current rating		Comments / nature of notice
<i>Series 405 bonds</i>	<i>6040620</i>	<i>Midroog</i>	<i>Midroog</i>	_____	<i>Affirmation of rating</i>
<i>Commercial securities (Series 3)</i>	_____	<i>Midroog</i>	<i>Aa2.il</i>	<i>stable</i>	<i>Initial rating</i> _____
			<i>P-1.il</i>	<i>stable</i>	

Rating history in the 3 years prior to the rating/notice date:

Security name & type	TASE Security No.	Date	Type of rated security	Rating	Comments / nature of notice

Explanation: As part of the rating history, one should only provide the details of the rating history of the rating agency which is the subject matter of the immediate report.

Attached is the rating report:

[Midroog6922 isa.pdf](#)

**Details of signatories authorized to sign on behalf of the corporation:**

Name of signatory	Title	other
Omer Ziv	Head of Finance and Accounting Division	

In accordance with Regulation 5 of the Securities Regulations (Periodic and Immediate Reports), 1970, a report filed pursuant to these regulations shall be signed by the corporation's authorized signatories. For a staff position of this matter, see the Authority's website: [click here](#).

*Midroog assigns a rating of Aa2.il (hyb) to subordinated bonds (Series 405) with a loss absorption mechanism for up to NIS 500 million par value that will be issued by way of series expansion by Bank Leumi le-Israel B.M. and a rating of P-1.il to commercial securities (Series 3) for up to NIS 600 million p.v.*

*For information about the Bank's rating by Midroog, see immediate report of October 6 2022 (Ref. No. 2022-01-152409).*

Reference numbers of previous documents on this subject (this reference does not constitute inclusion by way of reference):

*The securities of the corporation are listed for trading on the Tel Aviv Stock Exchange  
Ticker: Leumi*

*Address: Yehuda Halevi Street 34, Tel Aviv 6513616, Tel: 076-8858111, 076-8859419.*

*Facsimile: 076-8859732 Electronic Mail: [David\\_S@bll.co.il](mailto:David_S@bll.co.il) company's website:*

*[www.leumi.co.il](http://www.leumi.co.il)*

*Previous names of the reporting entity:*

---

Name of Electronic Reporter: David Raoul Sackstein, Position: Advocate, General Secretary  
34 Yehuda Halevi Street, Tel Aviv 6513616, Phone: 076-8857984, Facsimile: 076-8859732  
Electronic Mail: [David.sackstein@bankleumi.co.il](mailto:David.sackstein@bankleumi.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/>**

# Bank Leumi Le-Israel B.M.

## Rating Activity Update | September 2022

### Contacts:

**Avior Dagan**

Analyst - Primary Rating Evaluator  
[avior.dagan@midroog.co.il](mailto:avior.dagan@midroog.co.il)

**Amit Federman, CPA**

Senior Analyst - Secondary Rating Evaluator  
[amit.federman@midroog.co.il](mailto:amit.federman@midroog.co.il)

**Itay Navarra, VP**

Head of Financial Institutions  
[itay.navarra@midroog.co.il](mailto:itay.navarra@midroog.co.il)

---

## Bank Leumi Le-Israel B.M.

Baseline Credit Assessment of the Bank (BCA)	aa1.il	
Long-term deposits and bonds	Aaa.il	Outlook: Stable
Subordinated contingent convertible bonds with contractual loss absorption (CoCos)	Aa2.il (hyb)	Outlook: Stable
Short-term deposits / commercial securities	P-1.il	

Midroog assigns a Aa2.il (hyb) rating with a stable outlook to the issuance of subordinated bonds with a contractual loss absorption mechanism (“CoCo”) (by way of expanding Series 405) in an amount of up to NIS 500 million p.v. Midroog also sets a P-1.il rating for raising of commercial securities (Series 3) in an amount of up to NIS 600 million par value. The issues will be carried out by Bank Leumi le-Israel B.M. (“the Bank”).

According to Midroog’s methodology, the CoCo rating is based on the Bank’s Baseline Credit Assessment (BSA), which is the anchor for the rating the Bank’s liabilities and reflects the risk of default and ability to serve its liabilities independently and without assumption of external support. On this basis, the rating is adjusted by Midroog to the credit risk of the subordinated debt instrument according to its specific characteristics - considering the extent of the contractual subordination of the instrument, the loss absorption mechanisms under the terms of the instrument and uncertainties regarding their point of activation (at the contractual trigger, or at the Supervisor of Bank’s discretion). When rating the CoCo to be issued by the Bank, we reduced the Bank’s BCA by one level (notch), which embodies the legal-contractual subordination and the contractual loss absorption mechanism. Considering the Bank’s BCA level, the existing and expected capital adequacy levels and the adequate liquidity profile, the uncertainties regarding the likelihood of reaching a “point of non-sustainability” are low and, therefore, not expressed by the reduction of another notch. Furthermore, there is no assumption of external support in the CoCo rating.

According to Midroog’s methodology, the rating of the commercial securities is based on the rating of the Bank’s long-term deposits and senior debt, an analysis of its short-term liquidity, based on the liquidity profile reviewed when assessing the Bank’s financial strength, as set out below, the stability of the structure of sources<sup>1</sup> and liquid assets<sup>2</sup> compared to total public deposits.

For information about the key terms of the subordinated bonds (Series 405) and the rating considerations, see the rating action report, the report updating the rating action of March 2022, and the monitoring report of October 2021.

<sup>1</sup> Deposits from banks and institutional entities, as well as bonds and debentures payable in the coming 12 months out of total assets.

<sup>2</sup> Cash and deposits in banks, Israeli and US government bonds and US government-guaranteed assets.

## Related reports

[Bank Leumi Le-Israel B.M. - related reports](#)

[Bank Ratings - Methodology Report, September 2019](#)

[Short-term Ratings - Methodology Report, December 2019](#)

[Table of Affiliations and Holdings](#)

[Midroog's Definitions and Rating Scales](#)

The reports are published on Midroog website [www.midroog.co.il](http://www.midroog.co.il)

## General Information

<b>Date of the rating report:</b>	September 6, 2022
<b>Date of previous rating update:</b>	May 26, 2022
<b>Publication date of initial rating:</b>	February 18, 2007
<b>Rating initiated by:</b>	Bank Leumi Le-Israel B.M.
<b>Rating paid for by:</b>	Bank Leumi Le-Israel B.M.

## Information from the issuer

Midroog's rating is based, among other things, on information received from authorized parties at the Issuer.

**Baseline Credit Assessment (BCA)**

<b>aaa.il</b>	<b>Issuers or issues rated aaa.il have, in Midroog's judgment, the highest internal or stand-alone (independent) financial strength relative to other local issuers, absent of any possible external support from an affiliate company or the state.</b>
<b>aa.il</b>	<b>Issuers or issues rated aa.il have, in Midroog's judgment, very high internal or stand-alone (independent) financial strength relative to other local issuers, absent of any possible external support from an affiliate company or the state.</b>
<b>a.il</b>	<b>Issuers or issues rated a.il have, in Midroog's judgment, high internal or stand-alone (independent) financial strength relative to other local issuers, absent of any possible external support from an affiliate company or the state.</b>
<b>baa.il</b>	<b>Issuers or issues rated baa.il have, in Midroog's judgment, moderate internal or stand-alone (independent) financial strength relative to other local issuers, absent of any possible external support from an affiliate company or the state, and could involve certain speculative characteristics.</b>
<b>ba.il</b>	<b>Issuers or issues rated ba.il have, in Midroog's judgment, weak internal or stand-alone (independent) financial strength relative to other local issuers, absent of any possible external support from an affiliate company or the state, and involve certain speculative characteristics.</b>
<b>b.il</b>	<b>Issuers or issues rated b.il have, in Midroog's judgment, very weak internal or stand-alone (independent) financial strength relative to other local issuers, absent of any possible external support from an affiliate company or the state, and involve certain speculative characteristics.</b>
<b>caa.il</b>	<b>Issuers or issues rated caa.il have, in Midroog's judgment, excessively weak internal or stand-alone (independent) financial strength relative to other local issuers, absent of any possible external support from an affiliate company or the state, and involve very significant speculative characteristics.</b>
<b>ca.il</b>	<b>Issuers or issues rated ca.il have, in Midroog's judgment, extremely weak internal or stand-alone (independent) financial strength, absent of any possible external support from an affiliate or the state, and are very near insolvency, with some prospect of recovery of principal and interest.</b>
<b>c.il</b>	<b>Issuer or issues rated c.il have, in Midroog's judgment, the weakest internal or stand-alone (independent) financial strength, absent of any possible external support from an affiliate company or the state, and are usually insolvent with little prospect of recovery of principal and interest.</b>

Note: Midroog uses numeric modifiers 1, 2 and 3 in each rating category from aa.il to caa.il. The modifier '1' indicates that the obligation ranks in the higher end of its rating category, which is denoted by letters. The modifier '2' indicates that it ranks in the middle of its rating category and the modifier '3' indicates that the obligation ranks in the lower end of that category, denoted by letters.

Unlike previous publications until now, Midroog does not publish a rating outlook for Baseline Credit Assessment (BSA) in order to differentiate the BCA from the credit rating.

## Local Long-Term Rating Scale

<b>Aaa.il</b>	<b>Issuers or issues rated Aaa.il have, in Midroog's judgment, the highest creditworthiness relative to other local issuers.</b>
<b>Aa.il</b>	<b>Issuers or issues rated Aa.il have, in Midroog's judgment, very high creditworthiness relative to other local issuers.</b>
<b>A.il</b>	<b>Issuers or issues rated A.il have, in Midroog's judgment, high creditworthiness relative to other local issuers.</b>
<b>Baa.il</b>	<b>Issuers or issues rated Baa.il have, in Midroog's judgment, moderate creditworthiness relative to other local issuers, and could involve certain speculative characteristics.</b>
<b>Ba.il</b>	<b>Issuers or issues rated Ba.il have, in Midroog's judgment, weak creditworthiness relative to other local issuers, and they involve certain speculative characteristics</b>
<b>B.il</b>	<b>Issuers or issues rated B.il have, in Midroog's judgment, very weak creditworthiness relative to other local issuers, and they involve certain speculative characteristics.</b>
<b>Caa.il</b>	<b>Issuers or issues rated Ba.il have, in Midroog's judgment, excessively weak creditworthiness relative to other local issuers, and they involve certain speculative characteristics</b>
<b>Ca.il</b>	<b>Issuers or issues rated Ca.il have, in Midroog's judgment, extremely weak creditworthiness compared to other local issuers, and are very near insolvency, with some prospect of recovery of principal and interest.</b>
<b>C.il</b>	<b>Issuers or issues rated C.il have, in Midroog's judgment, the weakest creditworthiness, and are usually insolvent with little prospect of recovery of principal and interest.</b>

Note: Midroog uses numeric modifiers 1, 2, and 3 for each rating category from Aa.il to Caa.il. The modifier '1' indicates that the obligation ranks in the higher end of its rating category, which is denoted by letters. The modifier '2' indicates that it ranks in the middle of its rating category and the modifier '3' indicates that the obligation ranks in the lower end of that category, denoted by letters.

### Local Short-Term Rating Scale

P-1.il	Issuers rated Prime-1.il , in Midroog's judgment, have very good ability to repay short-term obligations relative to other local issuers.
P-2.il	Issuers rated Prime-2.il , in Midroog's judgment, have good ability to repay short-term obligations relative to other local issuers.
P-3.il	Issuers rated Prime-3.il , in Midroog's judgment, have moderate ability to repay short-term obligations relative to other local issuers.
NP.il	Issuers rated Not Prime.il do not belong to any of the Prime categories.

### Link between the Long-Term and Short-Term Rating Scales

The following table presents the long-term ratings consistent with short-term ratings, when such long-term ratings exist<sup>3</sup>

Short-Term Rating	Long-Term Rating
Prime-1.il	Aaa.il
	Aa1.il
	Aa2.il
	Aa3.il
	A1.il
	A2.il
	A3.il
Prime-2.il	Baa1.il
	Baa2.il
	Baa3.il
Not Prime	Ba1.il, Ba2.il, Ba3.il
	B1.il, B2.il, B3.il
	Caa1.il, Caa2.il, Caa3.il
	Ca.il
	C.il

<sup>3</sup> Structured finance short-term ratings are usually based on the short-term rating of a liquidity provider for a transaction or an assessment of cash flows available to repay the rated obligation



© All rights reserved for Midroog Ltd. ("Midroog").

This document, including this paragraph, is copyrighted by Midroog, and is protected by copyright as well as intellectual property laws. This document may not be copied or otherwise scanned, revised, distributed, transferred, reproduced, presented, translated or kept for further use for any purpose, in whole or in part, in any form, manner or by any means without the prior written consent of Midroog.

**Caveat regarding the rating limitations and the risks involved in relying on a rating, and caveats and reservations regarding the activity of Midroog Ltd. and the information appearing on its website**

The ratings and/or publications issued by Midroog are or contain Midroog's subjective opinions about the relative credit risk of entities, credit obligations, debts and/or debt-like financial instruments, as of the date of publication and as long as Midroog has not changed or withdrawn the rating. Midroog's publications may also contain assessments based on quantitative models of credit risks as well as related opinions. Ratings and publications by Midroog do not constitute a statement about the accuracy of the facts at the time of publication or in general. Midroog uses rating scales to issue its opinion, according to definitions set out in the actual scale. The choice of a symbol to reflect Midroog's opinion with respect to credit risk reflects solely a relative assessment of that risk. Midroog's ratings are issued on a local scale and as such, are opinions of the relative creditworthiness of issuers and financial obligations within Israel. National scale ratings are not designed to be compared between countries, but rather address relative credit risks in a given country.

Midroog defines credit risk as the risk that an entity may fail to meet its contractual financial obligations on schedule and any estimated financial loss in the event of default. Midroog's ratings do not address any other risk, such as risks relating to liquidity, market value, change in interest rates, and price fluctuations or any other element that affects the capital market.

The ratings and/or publications issued by Midroog do not constitute a recommendation to buy, hold and/or sell bonds and/or other financial instruments and/or make any other investment and/or forgo any of these actions.

Nor do the ratings and/or publications issued by Midroog constitute investment advice or financial advice, nor do they address the appropriateness of any given investment for any specific investor. Midroog issues ratings on the assumption that anybody making use of the information therein and of the ratings will exercise due caution and conduct the appropriate tests required (themselves and/or through authorized professionals), to personally assess the merit of any investment in a financial asset that they are thinking of buying, holding or selling. All investors should obtain professional advice for their investments, the applicable law, and/or any other professional issue.

**Midroog does not provide any express or implied warranty as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such rating or other opinion or information given or made by Midroog in any form or manner.**

Midroog's ratings and publications are not intended for use by private investors and it would be irresponsible and inappropriate for private investors to use Midroog's ratings or publication when making investment decisions. If in doubt, contact your financial or other professional advisor.

All the information contained in Midroog's ratings and/or publications, and on which it relied (hereinafter: the Information") was given to Midroog by information sources (including the rated entity) that it considers credible. Midroog is not responsible for the accuracy of the Information and presents it as provided by such sources. Midroog exercises reasonable means, to the best of its understanding, for the Information to be of sufficient quality and scope, and that it originates from sources it considers credible, including information received from independent third parties, if and when appropriate. However, Midroog does not conduct audits and therefore cannot verify or validate the Information.

The provisions of Midroog's publications, other than expressly stated as a methodology, do not constitute part of any Midroog methodology. Midroog may at any time change its position regarding the content of any such publication.

Subject to the provisions of the law, Midroog, its directors, officers, employees and/or anybody on its behalf involved in the rating will not be held responsible under law towards any person and/or entity, for any damage and/or loss, financial or other, direct, indirect, special, consequential, associated or related, incurred in any way or in connection with the Information or a rating or a rating process, including not issuing a rating, also if they or anybody on their behalf were advised in advance of the possibility of damage or a loss as said above, including but not confined to: (a) any present or future loss of profit, including the loss of other investments opportunities; (b) any loss or damage caused by holding, and/or acquisition and/or selling of a financial instrument, whether it is a subject of a rating issued by Midroog or not; (c) any loss and/or damage caused consequential to the relevant financial asset, that was caused, including but not exclusively, as a result of or in respect to negligence (except for fraud, a malicious action or any other action for which the law does not permit exemption from responsibility) by directors, officers, employees and/or anybody acting on Midroog's behalf, whether by act or omission.

Midroog maintains policy and procedures in respect to the independence of the rating and the rating processes.

A rating issued by Midroog may change as the result of changes in the Information on which it was based and/or as a result of new information and/or for any other reason. Updates and/or changes in rating appear on Midroog's website: <http://www.midroog.co.il>.