



Bank Leumi le-Israel B.M.

(hereinafter - the “Bank”)

September 6 2022

To:
The Israel Securities Authority
22 Kanfei Nesharim Street
Jerusalem 95464

To:
The Tel Aviv Stock Exchange Ltd.
2 Ahuzat Bayit Street
Tel Aviv 6129001

Dear Sir/Madam,

Ref: **Manner of Measurement of Pension Liabilities for Regulatory Capital Purposes**

Bank Leumi le-Israel B.M. (hereinafter: the “**Bank**”) is hereby announcing as follows:

1. On September 5, 2022, the Bank’s Board of Directors approved a change in the method of measuring the pension liabilities for the purpose of calculating the regulatory capital; the said approval followed the approval of such change by the Banking Supervision Department (hereinafter - the “Banking Supervision Department”).
2. According to the new measurement method, in each quarter the Bank will calculate the change in the pension liabilities in respect of Generation A Employees as a result of changes in the discount rate, net of the change in the value of the asset that were designated in advance to hedge those liabilities (hereinafter - the “**Net Change in Pension Liabilities**”). The Net Change in Pension Liabilities, net of tax, shall be spread linearly over 4 quarters, as from the quarter for which the calculation was carried out.
3. The approval provided by the Bank of Israel shall come into effect on July 1, 2022; it will remain in effect until the earlier of the following: a) Financial statements as of December 31, 2029 (including), or (b) the date of the financial statements in which the average amount of the pension liabilities for Generation A Employees over the latest 4 quarters shall be lower than NIS 10 billion (CPI-linked) (starting with the known index as of July 1, 2022, through the known index as of the date of the relevant financial statements).
4. At the same time, the Banking Supervision Department canceled its approval for measuring the pension liabilities for the purpose of calculating the regulatory capital on a moving average based of market yields during the eight quarters period ended on the relevant reporting date; the said measurement method was in effect as from the financial statements as of June 30, 2016.



5. At the time of transitioning to the new measurement method, the Bank will recognize in its financial statements as of September 30 2022 a one-off adjustment of the regulatory capital to the accounting method, in respect of the pension liabilities that were accounted for using the previous method through the financial statements as of June 30, 2022. The estimated effect of the transition to the new measurement method and the termination of the calculation based on the existing method is expected to increase the regulatory capital as of June 30, 2022, by approx. NIS 1.3 billion. The statements made in this section in connection with the adjustment constitutes forward-looking information as defined in the Securities Law, 1968, which is based on current assessments and estimates, that may change.

Sincerely,

Bank Leumi le-Israel B.M.

By:

Omer Ziv

Head of the Finance and Accounting Division