

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 8 2022
Reference: 2022-01-115378

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

Supplementary report to a report issued on September 6 2022 whose reference no. is: 2022-01-114262

Key details added/supplemented: Further to the rating action report of September 6 2022, Migroog assigns an Aa2.il (hyb) rating with a stable outlook to the raising of subordinated bonds with a contractual loss absorption mechanism ("CoCo") (by extending Series 405) for a total of up to NIS 870 million p.v. in lieu of NIS 500 million p.v. that was previously rated. Furthermore, Migroog assigns a P-1.il rating to the raising of commercial securities (Series 3) for up to NIS 1,500 million p.v. in lieu of NIS 600 million that was previously rated. The details of the rating are listed in the attached file.

**Immediate Report of Rating of Bonds/Rating of a Corporation,
or Withdrawal of Rating**

On September 6 2022, Migroog 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
Series 405 bonds	6040620	Midroog	Midroog		Affirmation of rating
Commercial securities (Series 3)		Midroog	Aa2.il	stable	Initial rating
			P-1.il	stable	

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:

[Sanitized_08092022_isa.pdf](#)

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

Name of signatory	Title	other
Bosmat Ben Zvi	Head of the Capital Markets 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](#).

Further to the rating action report of September 6 2022, Midroog assigns a rating of Aa2.il (hyb) with a stable outlook to the raising of subordinated bonds with a loss absorption mechanism ("CoCo") (by extending Series 405) for up to NIS 870 million par value in lieu of a total of NIS 500 million par value that was previously rated. In addition, Midroog assigns a P-1.il rating to the raising of commercial securities (Series 3) for up to NIS 1,500 million par value in lieu of NIS 600 million par value that was previously rated.

For information about the Bank's rating by Midroog, see immediate report of October 6 2021 (Ref. No. 2021-01-152409).

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

Bank Leumi le-Israel B.M.

Address: Yehuda Halevi Street 34, Tel Aviv 6513616, Tel: 076-8858111, 076-8859419.
Facsimile: 076-8859732 *Electronic Mail:* David_S@bll.co.il company's website:
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

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

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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	

Further to the rating action report dated September 6 2022, 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 870 million p.v. in lieu of a total of NIS 500 million that was previously rated. Midroog also sets a P-1.il rating for raising of commercial securities (Series 3) in an amount of up to NIS 1,500 million par value in lieu of a total of NIS 600 million par value that was previously rated. 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 sources¹ and liquid assets² 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, the rating action report of September 2022 and the monitoring report of October 2021.

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

² 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

General Information

Date of the rating report:	September 8, 2022
Date of previous rating update:	September 6, 2022
Publication date of initial rating:	February 18, 2007
Rating initiated by:	Bank Leumi Le-Israel B.M.
Rating paid for by:	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)

aaa.il	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.
aa.il	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.
a.il	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.
baa.il	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.
ba.il	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.il	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.
caa.il	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.
ca.il	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.
c.il	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.

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

Aaa.il	Issuers or issues rated Aaa.il have, in Midroog's judgment, the highest creditworthiness relative to other local issuers.
Aa.il	Issuers or issues rated Aa.il have, in Midroog's judgment, very high creditworthiness relative to other local issuers.
A.il	Issuers or issues rated A.il have, in Midroog's judgment, high creditworthiness relative to other local issuers.
Baa.il	Issuers or issues rated Baa.il have, in Midroog's judgment, moderate creditworthiness relative to other local issuers, and could involve certain speculative characteristics.
Ba.il	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.il	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.
Caa.il	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
Ca.il	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.
C.il	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.

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 exist³

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

³ 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

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