

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: November 15, 2022
Reference: 2022-01-137236

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

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

On November 15, 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>Leumi Subordinated Bonds (Series 406)</i>	_____	<i>Midroog</i> _____	<i>Midroog</i> _____ <i>Aa2.il stable</i> _____	<i>Initial rating</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:

[Rating BankLeumi BankLeumMortgages 060510 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](#).

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 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 | November 2022

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Bank Leumi le-Israel B.M.

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

Midroog assigns a Aa2.il (hyb) rating with a stable outlook to the raising of subordinated bonds with a contractual loss absorption mechanism (CoCo) (Series 406) in the amount of up to NIS 500 million par value, which will be issued by Bank Leumi le-Israel B.M. (hereinafter - the “Bank”).

Main terms and conditions of the rated subordinated bonds with a contractual loss absorption mechanism (CoCo) (Series 406): 1. Repayable in a single payment after 11 years and with an early repayment option to the Bank after 6 years, final repayment in October 2033, early repayment in October 2028; 2. Constitute an instrument recognized by the Banking Supervision Department as Tier 2 capital for the purpose of inclusion in the Bank's regulatory capital; 3. Subordinated to all other liabilities not of that class, other than Tier 1 instruments and equity; 4. Convertible into ordinary shares if the Tier 1 capital ratio falls below 5%, and/or the Banking Supervision Department decides there is a trigger event for non-viability;¹ 5. If the principal is converted, the bonds will no longer bear interest and linkage differences and the Bank will not be entitled to prematurely repay the principal of the subordinated bonds or any part thereof, and this will be considered final and absolute repayment of all the Bank's liabilities towards the holders of the subordinated bonds.

According to Midroog's methodology, the rating of the Bank's CoCo bonds is based on the Bank's BCA, which serves as the underlying factor in rating the Bank's liabilities, and reflects the risk of default and the Bank's ability to service its obligations independently, without assuming external support. Based on that, Midroog adjusts the rating to the credit risk of the subordinated debt instrument, according to its specific characteristics – taking into account the extent of the instrument's contractual subordination, the loss absorption mechanisms according to the instrument's terms, and the uncertainty regarding their point of activation (based on the contractual trigger or at the discretion of the Banking Supervision Department). When rating the CoCo to be issued by the Bank, we downgrade the Bank's BCA by one notch, which includes the legal-contractual subordination and the contractual loss absorption. Considering the Bank's BCA, the current and anticipated capital adequacy, and the adequate liquidity profile, the uncertainty regarding the

¹Non-viability trigger event: 1. Notices of the Banking Supervision Department to the effect that the conversion of the security is necessary to avoid the point of non-viability. ². Providing external support, without which the Bank will reach the point of non-viability. It should be noted that the Banking Supervision Department has not yet defined the “point of non-viability”.

likelihood of reaching a “point of non-viability” is low, and therefore it was not reflected by the downgrade of another notch. Furthermore, there is no assumption of external support in the CoCo rating.

For further information about the considerations for the asset rating, see the monitoring report of October 2022.

Related reports

[Bank Leumi le-Israel B.M. - Related Reports](#)

[Banks' Rating - Methodology Report, September 2019](#)

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

[Guidelines for assessing environmental, social, and corporate governance risks as part of credit ratings - methodology report, February 2022, Table of affiliations and holdings](#)

[Midroog's rating scales and definitions](#)

The reports are published on Midroog's website www.midroog.co.il

General information

Date of the rating report:	Nov. 15, 2022
Date of previous rating update:	Oct. 20, 2022
Publication date of initial rating:	Feb. 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 standalone (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 standalone (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 standalone (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 (BCA) 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 exist²

Short-term rating	Long-term rating
Prime-1.il	<ul style="list-style-type: none"> Aaa.il Aa1.il Aa2.il Aa3.il A1.il A2.il A3.il
Prime-2.il	<ul style="list-style-type: none"> Baa1.il Baa2.il Baa3.il
Prime-3.il	<ul style="list-style-type: none"> Ba1.il, Ba2.il, Ba3.il B1.il, B2.il, B3.il Caa1.il, Caa2.il, Caa3.il NotPrime Ca.il C.il

² Short-term structured financing ratings are normally based on the short-term rating of the entity providing liquidity to the transaction or on the estimated cash flow to repay the rated liability.

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