

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: March 9 2022
Reference: 2022-01-027997

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 March 9 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>Bonds Series 184</i>	_____	<i>Midroog</i>	<i>Midroog</i> ____ <i>Aaa.il stable</i> ____	<i>Initial rating</i> _____
<i>Marketable securities (Series 1)</i>	_____	<i>Midroog</i>	<i>Midroog</i> ____ <i>P-1.il stable</i> ____	<i>Initial rating</i> _____

<i>Subordinated bonds (Series 405)</i>		<i>Midroog</i>	<i>Midroog___ Aa2.il stable ___</i>	<i>Initial rating _____</i>
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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:

[Midroog9322_isa.pdf](#)

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

Name of signatory	Title	other
<i>Omer Ziv</i>	<i>Head of Finance and Accounting Division</i>	

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 rates Series 184 bonds at the total amount of up to NIS 1 billion par value at Aaa.il, Series 1 marketable securities at the total amount of up to NIS 700 par value at P-1.il, and Series 405 subordinated bonds with a loss absorption mechanism at the total amount of up to NIS 500 million at Aa2.il (hyb), to be issued by Bank Leumi Le-Israel B.M.

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): **[2021-01-152409](#)**

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 BM

Rating Activity Update | March 2022

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Bank Leumi Le-Israel BM

Baseline Credit Assessment of the Bank (BCA)	aa1.il	
Long-term deposits and bonds	Aaa.il	Outlook Stable
Deferred contingent convertible bonds (CoCos)	Aa2.il (hyb)	Outlook Stable
Short-term deposits	P-1.il	
Commercial securities	P-1.il	

Midroog is setting an Aaa.il rating with a stable outlook as part of the raising of bond (Series 184) in an amount of up to NIS 1,000 million par value and a P-1.il rating for the raising of commercial securities (Series 1) in an amount of up to NIS 700 million par value. Midroog is also setting a rating of Aa2.il(hyb) with a stable outlook for raising of subordinated contingent convertible bonds (“CoCo”) (Series 405) in an amount of USD 500 million par value. The issue will be carried out by Bank Leumi of Israel Ltd. (“the Bank”).

The subordinated Cocos are being rated by Midroog for the first time. Main terms and conditions of the rated deferred Cocos (Series 405): 1. They are repayable in a single payment after 11 years, with prepayment option to the Bank after 6 years; 2. They are an instrument recognized by the Supervisor of Banks as Tier 2 capital for the purpose of including them in the Bank’s supervisory capital; 3. They are subordinate to all other liabilities not of that type, excluding instruments in Tier 1 capital and equity; 4. They are convertible into ordinary shares in the event that the Tier 1 capital ratio falls below 5% and/or the Supervisor of Banks decides that a constitutive event for non-sustainability exists¹; 5. In the event of conversion of the principal, the bonds will cease to bear interest and linkage differences and the Bank will not be entitled to prepay the principal of the subordinated bonds or any part thereof, and this will be considered final and absolute repayment of all of the Bank’s liabilities toward the holders of the subordinated bonds.

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 sources² and liquid assets³ compared to the total public deposits.

For information about the rating considerations, see the monitoring report of October 2021.

Related reports

¹ Constitutive event for non-sustainability: 1. Notice of the Supervisor of Banks that conversion of the notes is necessary to avoid reaching a point of non-sustainability. 2 Granting of external support, without which the Bank will reach a point of non-sustainability. Note that the Supervisor of Banks has not yet defined the term “point of non-sustainability”.

² Deposits from banks and institutional entities and bonds and debentures payable in the coming 12 months out of total assets.

³ Cash and deposits in banks, Israeli and US government bonds and US government-guaranteed assets.

[Bank Leumi Le-Israel BM - 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:	March 9, 2022
Date of previous rating update:	January 12, 2022
Publication date of initial rating:	February 18, 2007
Rating initiated by:	Bank Leumi Le-Israel BM
Rating paid for by:	Bank Leumi Le-Israel BM

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 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 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 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 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 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 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, extremely weak internal or stand-alone (independent) financial strength relative to other local issuers, absent of 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 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 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 publications until now, Midroog is not publishing 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, 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.

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