

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: 2022-01-027994

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, Maalot S&P 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
Marketable securities (Series 1)	_____	Maalot S&P	Maalot S&P____ ilA-1+ stable ____	Initial rating _____
Bonds Series 184	_____	Maalot S&P	Maalot S&P____ ilAAA stable ____	Initial rating _____

<i>Subordinated bonds (Series 405)</i>	_____	<i>Maalot S&P</i>	<i>Maalot S&P</i> ____ <i>ilAA 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:

[Maalot9322_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](#).

Maalot S&P rates Series 1 marketable securities at the total amount of up to NIS 700 par value at ilAAA, Series 184 bonds at the total amount of up to NIS 1 billion par value at ilAAA, and Series 405 subordinated bonds with a loss absorption mechanism at the total amount of up to NIS 500 million at ilAA, to be issued by Bank Leumi Le-Israel B.M.

For information about the Bank's rating by Maalot S&P, see immediate report of January 23 2022 (Ref. No. 2022-01-010366).

Reference numbers of previous documents on this subject (this reference does not constitute inclusion by way of reference): [2022-01-010366](#)

*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

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The original Hebrew version is available on the distribution website of the Israel Securities Authority: <http://www.magna.isa.gov.il/>

Maalot

S&P Global Ratings

Bank Leumi le-Israel B.M.

.....
March 9, 2022

New Issuance

‘ilA-1+’ Short Term Issuer Rating Assigned; ‘ilA-1+’ Issuance Rating Assigned to Commercial Securities of up to NIS 700 Million P.V.; ‘ilAAA’ Rating Assigned to Bonds of up to NIS 1 Billion P.V. and ‘ilAA’ Rating Assigned to Subordinated Bonds with Loss Absorption Mechanism (CoCo) of up to NIS 500 Million P.V.

Primary Credit Analyst:

Regina Argenio, Milan, 39-02-72111208 regina.argenio@spglobal.com

Additional Contact:

Lena Schwartz, Ramat Gan, 972-3-7539716 lena.schwartz@spglobal.com

New Issuance

‘ilA-1+’ Short Term Issuer Rating Assigned; ‘ilA-1+’ Issuance Rating Assigned to Commercial Securities of up to NIS 700 Million P.V.; ‘ilAAA’ Rating Assigned to Bonds of up to NIS 1 Billion P.V. and ‘ilAA’ Rating Assigned to Subordinated Bonds with Loss Absorption Mechanism (CoCo) of up to NIS 500 Million P.V.

S&P Maalot hereby announces that the 'ilA-1+' short term rating has been assigned to Bank Leumi of Israel Ltd. (ilAAA/Stable) and a 'ilA-1+' rating has been assigned to new commercial securities of up to NIS 700 million to be issued by the Bank. The short-term rating is based on the company's long-term rating, in accordance with the mapping table illustrating the relationship between the long-term issuer rating and the short-term issuer rating on the Israeli rating scale, pursuant to the rating methodology.

In addition, S&P Maalot hereby announces that the 'ilAAA' rating has been assigned to securities up to NIS 1 billion P.V. to be issued via a new series, Series 184, and the

'ilAA' rating has been assigned to subordinated bonds with loss absorption mechanism (CoCo) of up to NIS 500 million P.V., to be issued via a new series, Series 405.

In determining the rating of the Series 405 subordinated bonds with loss absorption mechanism (CoCo), we implement, among other things, the methodology for rating banks' complex financial instruments and the methodology for national scale ratings. The starting point for rating is assessing the Bank's stand-alone credit profile (SACP) rather than its issuer credit rating (ICR), which includes state support, as we do not anticipate that these instruments will be affected by state support. We are reducing two rating levels (notches) as follows:

- One notch to reflect the loss absorption capacity embedded in the financial instrument in the form of the conversion of the subordinated bonds into Bank shares should any of the trigger events defined in their terms occur, namely, a "formative principal loss absorption event", wherein the Bank's tier 1 equity ratio would fall below 5%, or a "formative non-viability event", which is defined as the earlier of the following two events: a written notice from the Supervisor of Banks to the Bank that a conversion of the subordinated bonds is necessary, as without it, in the opinion of the Supervision of Banks, the Bank would reach the point of non-viability; or a written notice from the Supervisor of Banks to the Bank regarding a decision to inject capital from the public sector, or support of equivalent value, without which the Bank would reach the point of non-viability, as determined by the Supervision of Banks (insolvency).
- One notch to reflect the contractual deferral of the financial instrument compared with the Bank's more senior debt (deferral).

Reduction ("notching down") of the first rating level is from the Bank's ICR on the global scale and reflects the insolvency risk that matches the Bank's global rating, in accordance with our methodology for rating banks' complex financial instruments. Subsequently, we then convert to the national scale rating, using the conversion tables. After having converted to the national scale rating we then reduce an additional rating level in order to reflect the contractual deferral of the financial instrument and thus arrive at the national scale rating of the financial instrument.

When examining the financial instrument in view of our complex financial instrument methodology, we do not believe that this poses any additional default risks to justify

any further “notching down” of rating levels beyond those abovementioned. We would specifically like to mention that the Bank’s current creditworthiness does not cause us to think that the likelihood of regulatory intervention with respect to the Series 405 subordinated bonds, as described above, requires an additional “notching down” of rating levels.

For additional details regarding Bank Leumi’s rating and for additional regulatory requirements, see the Rating Report dated January 23, 2022. For additional details regarding the methodology behind the instrument’s rating, please consult the list of methodology articles in the abovementioned rating report and the Q&A document Rating of Complex Bank Instruments – Q&A, November 29, 2015.

Methodology and related publications

- [Methodology – General: Principles Of Credit Ratings](#), February 16, 2011
- [Methodology – General: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [Methodology: Risk-Adjusted Capital Framework Methodology](#), July 20, 2017
- [Methodology – General: Methodology For National And Regional Scale Credit Ratings](#), June 25, 2018
- [Methodology – General: Hybrid Capital: Methodology And Assumptions](#), July 1, 2019
- [Methodology – General: Group Rating Methodology](#), July 1, 2019
- [Methodology – General: Environmental, Social, And Governance Principles In Credit Ratings](#), October 10, 2021
- [Methodology: Financial Institutions Rating Methodology](#), December 9, 2021
- [Methodology: Banking Industry Country Risk Assessment Methodology And Assumptions](#), December 9, 2021
- [S&P Global Ratings Definitions](#), November 10, 2021
- [Opinions and Interpretation: The Relationship Between the Global Rating Scale and the Israeli Rating Scale](#), June 26, 2018

Bank Leumi le-Israel B.M.	Rating	Date when the rating was first published	Last date when the rating was updated
Issuer's Rating(s)			
Short term	ilA-1+	March 9, 2022	March 9, 2022
Long term	ilAAA/stable	May 1, 1998	January 23, 2022
Issuance Rating(s)			
<u>Complex subordinated debt</u>			
Subordinated bonds with loss absorption mechanism (CoCo) Series 401, 402	ilAA	May 31, 2018	January 23, 2022
Subordinated bonds with loss absorption mechanism (CoCo) Series 403	ilAA	January 17, 2019	January 23, 2022
Subordinated bonds with loss absorption mechanism (CoCo) Series 405	ilAA	March 9, 2022	March 9, 2022
Series 404	ilAA	June 26, 2019	January 23, 2022
<u>Short term debt</u>			
Series 1	ilA-1+	March 9, 2022	March 9, 2022
<u>Unsecured senior debt</u>			
Bonds series 178	ilAAA	June 21, 2015	January 23, 2022
Bonds series 179	ilAAA	May 31, 2018	January 23, 2022
Bonds series 180	ilAAA	January 17, 2019	January 23, 2022
Bonds series 182	ilAAA	November 9, 2021	January 23, 2022
Bonds series 183	ilAAA	November 9, 2021	January 23, 2022
Bonds series 184	ilAAA	March 9, 2022	March 9, 2022
Issuer's Rating History			
Long term			
October 7, 2014	ilAAA/Stable		
May 5, 2010	ilAA+/Stable		
April 30, 2009	ilAA+/Negative		
June 21, 2007	ilAAA/Stable		
May 14, 2006	ilAAA		
February 20, 2003	ilAA+		
May 01, 1998	ilAAA		
Short term			
March 9, 2022	ilA-1+		
Additional Details			
Date and time on which the event took place	09/03/2022 10:00		
Date and time on which the event first became known	09/03/2022 10:00		

Entity that initiated the rating

The rating
company

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Bank Leumi le-Israel B.M.

.....
January 23, 2022

Rating Affirmation

**The ‘ilAAA’ Rating is Affirmed Following a Change of Methodology,
Outlook Stable**

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Additional Contact:

Lena Schwartz, Ramat Gan, 972-3-7539716 lana.schwartz@spglobal.com

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Rating Affirmation

The 'ilAAA' Rating is Affirmed Following a Change of Methodology, Outlook Stable

Overview

- Following a change in S&P Global Ratings' methodology for rating financial institutions and its Banking Industry Country Risk Assessment (BICRA) (hereinafter, the "Change of Methodologies"), we have examined the issuer and debt ratings of Bank Leumi le-Israel B.M. (hereinafter, "Bank Leumi" or the "Bank").
- After examination of the impact of the Change of Methodologies, we are now affirming the issuer rating of Bank Leumi, 'ilAAA', and its debt rating. The rating outlook is Stable, Unchanged.
- We wish to point out that we have examined and ratified the Bank's rating as a result of the said Change of Methodologies.

Rating action

On January 23, 2022, S&P Maalot affirmed the issuer rating of Bank Leumi le-Israel B.M., 'ilAAA'. The rating outlook is stable. At the same time, S&P Maalot also affirmed the Bank's debt rating.

Main considerations

As a result of our Change of Methodologies for rating financial institutions and our methodology of Banking Industry Country Risk Assessment (BICRA), we examined the issuer rating of Bank Leumi along with its debt ratings, and subsequently affirmed them. The issuer rating outlook remains stable.

Both the economic risk and industry risk components of the Israeli Banking Industry remain unchanged. These assessments determine the Banking Industry Country Risk Assessment (BICRA) and the anchor, or the starting point for determining the ratings of those financial institutions whose center of activity is based in Israel. The trends we have identified for both the economic risk and industry risk remain stable.

This rating reflects the leading status of Bank Leumi operating in the supportive economic environment in Israel, along with its robust capital base. Moreover, our assessment also includes the large and granular deposit base and the large stock of liquid assets that support its financial and liquidity profile. In a similar vein to other local banks, the rating also takes into account Bank Leumi's high degree of concentration compared with international counterparts, which reflects the centralized nature of the Israeli economy and the sensitivity to the risks deriving from its considerable exposure to the real estate sector. The rating takes into account our assessment of the remarkable degree of government support provided by the State of Israel (AA-/Stable/A-1+) in the event of economic hardship.

Rating outlook

The stable rating outlook reflects our assessment that in the coming 24 months, Bank Leumi will continue to preserve its robust capital base, and to display growth in the scope of its credit portfolio. The rating also reflects our view that the Bank's business and financial profile, along with its risk profile, will remain stable throughout the outlook period. Furthermore, we expect the Bank's risk-adjusted capital (RAC) ratio

to remain above 10% in the next two years and its asset quality indices to remain similar to the industry average.

The downside scenario

We could take a negative rating action if we identify considerable economic downturn in the Israeli economy as a whole, and in the real estate sector in particular. Such a downturn could be caused as a result of the severe damage anticipated from the current COVID-19 pandemic, from any sudden improvement in the local real-estate sector or significant escalation in the regional geopolitical situation.

Methodology and related publications

- [Methodology – General: Principles Of Credit Ratings](#), February 16, 2011
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List of ratings

Bank Leumi le-Israel B.M.	Rating	Date when the rating was first published	Last date when the rating was updated
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February 20, 2003	ilAA+		
May 01, 1998	ilAAA		
Additional Details			
Date and time on which the event took place	23/01/2022 12:31		
Date and time on which the event first became known	23/01/2022 12:31		
Entity that initiated the rating	The rating company		

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