

Translation of Immediate Report

T53
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: October 26, 2023

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

Immediate Report of an Event or Matter Outside the Ordinary Course of the Corporation's Business

Regulation 36 to the Securities Regulations (Periodic and Immediate Reports), 1970

Issuance results should be reported using T20 form and not this form.

Report on the rating of bonds or a corporation should be filed using a T125 form

Report on: ☐ Report whose submission was delayed

Nature of Event: *Preliminary assessment of the impact of the "Iron Swords" war on loan loss expenses*

1. _____

[Iron Swords isa.pdf](#)

2. Date and time at which the corporation first became aware of the event or matter:
October 25 2023, at 20:45.

Report delayed in accordance with regulation 36(b)

3. If the report was delayed – the reason for delay in submission:

4. The impediment to publication was removed on _____ at _____.

5. ☐ The company is an envelope company as that term is defined in the Stock Exchange bylaws.

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

Name of signatory	Title	other
<i>Hagit Argov</i>	<i>Head of the Finance 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](#).

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, Facsimile: 076-8859732 Electronic Mail: David_S@bl.co.il company's website: www.leumi.co.il

Previous names of the reporting entity:

Name of Electronic Reporter: Shelly Bainhoren, Position: Advocate, Bank Secretary, 34 Yehuda Halevi Street, Tel Aviv 6513616, Phone: 076-8857984, Facsimile: 076-8859732 Electronic Mail: Shelly.Bainhoren@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. (hereinafter - the “Bank”)

October 23, 2023

To:
The Tel Aviv Stock Exchange
(TASE)
www.tase.co.il

To:
The Israel Securities
Authority (ISA)
www.isa.gov.il

Dear Sir/Madam,

Re: **Initial Assessment of the Ramifications of the Iron Swords War on the Loan Loss Expense**

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

The Iron Swords War (hereinafter - the “**War**”), which began in Israel on October 7, 2023, resulted - among other things - in a sharp increase in economic uncertainty, scope of activity and increased risk with respect to the key economic indicators of financial activity in Israel, including the risk of a credit downgrade for the State of Israel.¹ As a result, there was a deterioration in the macroeconomic indicators taken into account when calculating the collective loan loss expense as well as a deterioration in the criteria used for assumptions in the predictive model of customers’ future default rates.

In a meeting held on October 16, 2023, the Banking Supervision Department presented the head accountants of the Israeli banking corporations, regulatory guidance, according to which the assumptions included in estimating the loan loss provision for the third quarter of 2023, shall take into account the uncertainty and deterioration of the various indicators following the War events, despite the fact that the War began subsequent to the end of the third quarter, as soon as the financial statements as at September 30, 2023 (hereinafter - the “**Q3 Financial Statements**”). In addition, the Banking Supervision Department instructed that the said effects should be revised until as shortly as possible prior to the publication of the Q3 Financial Statements.

The Bank is in the process of drafting the Bank’s Q3 Financial Statements, including determining the criteria for calculating the collective loan loss provision, which is intended, among other things, to serve as a cushion for possible future loan losses. The actual scope of the effect will depend on a long series of factors, including the duration of the War and its effect on economic activity.

After examining the various macroeconomic criteria and indicators - as described above - until shortly before the publication of this report (and, as mentioned above, examining the criteria and

¹ On the back of the announcements by the rating agencies regarding assigning the State of Israel’s credit a negative outlook, we refer to the Capital Adequacy section in the Report of the Board of Directors and Management of the financial statements as at June 30, 2023, according to which a credit downgrading of the State of Israel will not affect the capital adequacy ratios of the Bank.



their effects will continue until shortly before the publication date of the Q3 Financial Statements), it appears that following the deterioration of the abovementioned indicators and macroeconomic assumptions, and due to the uncertainty of the War's effect on the Bank's customers, the Bank is expected to recognize an expense for loan loss provision in its Q3 Financial Statements ranging from NIS 800 million to NIS 1,100 million (before tax), with the main expense being due to the increase in the collective provision, as described above.

It is clarified that the above data constitute merely a preliminary estimate, which is based on data that are still changing according to the development of the War situation and its effects on the various economic criteria and indicators, with all of the data used to prepare the financial statements for the third quarter yet to be finalized or reviewed by the Bank's independent auditors. Therefore, there may be changes in the above data, and the final provision to be recorded may be different than the said preliminary estimate.

This report includes forward-looking information, as defined by the Securities Law, 1968; the information is based, inter alia, on the Bank's assessments and estimates as at this reporting date; therefore, it may change (including materially), inter alia as a result of completing the collection of data and examination thereof.

Respectfully,

Bank Leumi of Israel B.M.

By: Hagit Argov, Head of Finance Division