

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
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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 of Withdrawal of Rating

On August 2, 2023, S&P Maalot published the following:

A rating report/update notice: *Updated*

1. Rating report or notice

Rating of the corporation: *S&P Maalot ilAAA ____ stable ____*
Comments/Nature of Notice: *Affirmation of rating*

Ratings history for the 3 years preceding the date of the rating/notice:

Date	Subject of Rating	Rating	Comments/ Substance of Notice
July 26, 2022	Bank Leumi le-Israel B.M.	<i>S&P Maalot ilAAA ____ stable ____</i>	<i>Affirmation of rating</i>
January 23, 2022	Bank Leumi le-Israel B.M.	<i>S&P Maalot ilAAA ____ stable ____</i>	<i>Affirmation of rating</i>
July 20, 2021	Bank Leumi le-Israel B.M.	<i>S&P Maalot ilAAA ____ stable ____</i>	<i>Affirmation of rating</i>
December 29, 2020	Bank Leumi le-Israel B.M.	<i>S&P Maalot ilAAA ____ stable ____</i>	<i>Affirmation of rating</i>
July 20, 2020	Bank Leumi le-Israel B.M.	<i>S&P Maalot ilAAA ____ stable ____</i>	<i>Affirmation of rating</i>
November 7, 2019	Bank Leumi le-Israel B.M.	<i>S&P Maalot ilAAA ____ stable ____</i>	<i>Affirmation of rating</i>

Explanation: As part of the ratings history, one should only provide the details of the rating history of the rating agency which is the subject matter of the immediate report.

2. Rating of the corporation's bonds:

Security name & type	TASE Security No.	Rating agency	Current rating	Comments / nature of notice
Leumi Sub. Bonds 402	6040398	S&P Maalot	S&P Maalot ilAA ____ stable	Affirmation of rating _____
Leumi Sub. Bonds 403	6040430	S&P Maalot	S&P Maalot ilAA ____ stable	Affirmation of rating _____
Leumi Sub. Bonds 404	6040471	S&P Maalot	S&P Maalot ilAA ____ stable	Affirmation of rating _____
Bonds Series 178	6040323	S&P Maalot	S&P Maalot ilAAA ____ stable	Affirmation of rating _____
Bonds Series 179	6040372	S&P Maalot	S&P Maalot ilAAA ____ stable	Affirmation of rating _____
Bonds Series 180	6040422	S&P Maalot	S&P Maalot ilAAA ____ stable	Affirmation of rating _____
Bonds Series 182	6040539	S&P Maalot	S&P Maalot ilAAA ____ stable	Affirmation of rating _____
Bonds Series 183	6040547	S&P Maalot	S&P Maalot ilAAA ____ stable	Affirmation of rating _____
Bonds Series 184	6040604	S&P Maalot	S&P Maalot ilA-1+ ____ stable	Affirmation of rating _____
Subordinated Bonds Series 405	6040620	S&P Maalot	S&P Maalot ilAA ____ stable	Initial rating _____
Commercial Securities (Series 3)	1189364	S&P Maalot	S&P Maalot ilA-1+ ____ stable	Initial rating _____
Commercial Securities (Series 4)	1196260	S&P Maalot	S&P Maalot ilA-1+ ____ stable	Initial rating _____

Rating history in the 3 years prior to the rating/notice date:

Security name & type	TASE Security No.	Date	Type of rated security	Current rating	Comments / nature of notice
Leumi Sub. Bonds 401	6040380	December 29, 2020	Contingent subordinated bonds	S&P Maalot ilAA ____ stable	Affirmation of rating _____
Leumi Sub. Bonds 401	6040380	July 20, 2020	Contingent subordinated bonds	S&P Maalot ilAA ____ stable	Affirmation of rating _____
Leumi Sub. Bonds 401	6040380	November 7, 2019	Contingent subordinated bonds	S&P Maalot ilAA ____ stable	Affirmation of rating _____
Leumi Sub. Bonds 402	6040398	December 29, 2020	Contingent subordinated bonds	S&P Maalot ilAA ____ stable	Affirmation of rating _____
Leumi Sub. Bonds 402	6040398	July 20, 2020	Contingent subordinated bonds	S&P Maalot ilAA ____ stable	Affirmation of rating _____
Leumi Sub. Bonds 402	6040398	November 7, 2019	Contingent subordinated bonds	S&P Maalot ilAA ____ stable	Affirmation of rating _____
Leumi Sub. Bonds 403	6040430	December 29, 2020	Contingent subordinated bonds	S&P Maalot ilAA ____ stable	Affirmation of rating _____
Leumi Sub. Bonds 403	6040430	July 20, 2020	Contingent subordinated bonds	S&P Maalot ilAA ____ stable	Affirmation of rating _____
Leumi Sub. Bonds 403	6040430	November 7, 2019	Contingent subordinated bonds	S&P Maalot ilAA ____ stable	Affirmation of rating _____

Leumi Sub. Bonds 404	6040471	December 29, 2020	Contingent subordinated bonds	S&P Maalot ilAA ___ stable	Affirmation of rating _____
Leumi Sub. Bonds 404	6040471	July 20, 2020	Contingent subordinated bonds	S&P Maalot ilAA ___ stable	Affirmation of rating _____
Leumi Sub. Bonds 405	6040620	March 9, 2022	Contingent subordinated bonds	S&P Maalot ilAA ___ stable	Initial rating _____
Leumi Sub. Bonds 405	6040620	September 6, 2021	Contingent subordinated bonds	S&P Maalot ilAA ___ stable	Affirmation of rating _____
Bonds Series 178	6040323	December 29, 2020	Senior unsecured bonds	S&P Maalot ilAAA ___ stable	Affirmation of rating _____
Bonds Series 178	6040323	July 20, 2020	Senior unsecured bonds	S&P Maalot ilAAA ___ stable	Affirmation of rating _____
Bonds Series 179	6040372	January 10, 2022	Senior unsecured bonds	S&P Maalot ilAAA ___ stable	Affirmation of rating _____
Bonds Series 179	6040372	December 29, 2020	Senior unsecured bonds	S&P Maalot ilAAA ___ stable	Affirmation of rating _____
Bonds Series 179	6040372	July 20, 2020	Senior unsecured bonds	S&P Maalot ilAAA ___ stable	Affirmation of rating _____
Bonds Series 179	6040372	May 24, 2022	Senior unsecured bonds	S&P Maalot ilAAA ___ stable	Affirmation of rating _____
Bonds Series 180	6040422	December 29, 2020	Senior unsecured bonds	S&P Maalot ilAAA ___ stable	Affirmation of rating _____
Bonds Series 180	6040422	July 20, 2020	Senior unsecured bonds	S&P Maalot ilAAA ___ stable	Affirmation of rating _____
Bonds Series 182	6040539	January 10, 2022	Senior unsecured bonds	S&P Maalot ilAAA ___ stable	Affirmation of rating _____
Bonds Series 182	6040539	November 9, 2021	Senior unsecured bonds	S&P Maalot ilAAA ___ stable	Initial rating _____
Bonds Series 183	6040547	November 9, 2021	Senior unsecured bonds	S&P Maalot ilAAA ___ stable	Initial rating _____
Bonds Series 183	6040547	May 24, 2022	Senior unsecured bonds	S&P Maalot ilAAA ___ stable	Affirmation of rating _____
Bonds Series 183	6040547	May 23, 2023	Senior unsecured bonds	S&P Maalot ilAAA ___ stable	Affirmation of rating _____
Bonds Series 184	6040604	March 9, 2022	Senior unsecured bonds	S&P Maalot ilAAA ___ stable	Initial rating _____
Commercial Securities (Series 3)	1189364	September 9, 2022	Commercial Securities	S&P Maalot ilA-1+ ___ stable	Initial rating _____
Commercial Securities (Series 4)	1196260	May 23, 2023	Commercial Securities	S&P Maalot ilA-1+ ___ stable	Initial rating _____

Explanation: As part of the ratings 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:

[FARBan20230802161449_isa.pdf](#)

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

Name of signatory	Title	other
Omer Ziv	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](#).

S&P Maalot affirmed the Bank's long-term IDR at ilAAA, short-term IDR at il-A+, and affirmed the outlook at Stable.

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*

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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.

August 2, 2023

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Bank Leumi le-Israel B.M.

Issuer rating iIAAA/Stable/iIA-1 +

Summary

Main strengths	Main risks
<ul style="list-style-type: none"> • Leading status in the Israeli banking industry, with strong presence in all operating segments. • Profitability supported by a high interest rate environment and efficient processes. • A broad deposit base of local customers. 	<ul style="list-style-type: none"> • High exposure to the local real estate market. • Large-scale investment in securities and pension liabilities, that create certain fluctuations in the capital base. • Activity in a competitive environment.

The leading status of Bank Leumi le-Israel B.M. (hereinafter - “Leumi” or the “Bank”) is a strength for its rating. Leumi serves a wide variety of customers in Israel, from households to institutions and large corporations. As a result, its profitability indicators and balance sheet can be forecast with a relatively high level of certainty.

The high interest rate environment supports the bank’s profitability and capital base. Leumi’s profitability is supported by the interest rate increases in Israel, together with continued growth of its business activities and operational efficiency initiatives. We expect expenses for credit losses to increase to 35 base points in 2024-2025. In this context, we expect Leumi’s risk-adjusted capital (RAC) ratio to improve to 10.5% in 2025, compared to 9.7% at the end of 2022. Our assessment is based on a slowdown of the credit growth rate, particularly in the relatively high-risk industries.

Leumi’s geographic and sector concentration continues to be high compared to the comparison group. Leumi’s concentration is higher than the international banks in the comparison group, reflecting its focus mainly in Israel and the relatively concentrated nature of the local economy. Leumi is also sensitive to tail risks related to its high real estate exposure. Construction and real estate loans were the key growth engine in the last three to four years, and we believe this area is presently more vulnerable.

The Bank’s rating also reflects its large, decentralized deposit base, which supports its financing profile. However, the Bank’s dependence on wholesale financing is limited, less than 10% of the financing base, despite the recent increase in the Bank’s sources, which are from the capital market, to finance the strong credit growth. The Bank’s large liquid asset balance is sufficient to comfortably cover its liquidity needs.

Government support will continue to support the rating. The Bank’s issuer rating (+1-AA-/Stable/A) is supported by our assessment that Israel will cease its exceptional support in the event of financial distress.

The Rating Forecast

The rating forecast reflects our assessment that the Bank will be able to maintain a strong capital base in the next 24 months, and that its risk-adjusted capital ratio will remain above 10% in the coming years. We also expect the quality indicators of the assets to remain the same as the industry average.

The downside scenario

A significant slowdown of the Israeli economy, particularly in the real estate sector, may stress the rating. Such a slowdown may be due to a sudden correction in the local real estate market, economic pressure due to deterioration of the global economy, or a major escalation of the security situation. We may also downgrade the rating if the Bank is unable to maintain its capital base, for example because of higher growth of the credit portfolio than expected, particularly real estate-related loans, which will stress the capital or risk profile.

Key indicators

Leumi Israel Ltd. Key Ratios And Forecasts					
	2021A	2022A	2023F	2024F	2025F
Growth in operating revenue	21.9	11.8	12.3-15.0	1.7-2.1	0.5-0.7
Growth in customer loans	15.6	12.2	6.3-7.7	4.5-5.5	5.4-6.6
Net interest income/average earning assets (NIM)	2.4	2.8	3.0-3.3	2.8-3.1	2.7-2.9
Cost to income ratio	47.0	38.7	34.2-35.9	34.4-36.2	35.0-36.8
Return on average common equity	15.2	16.9	13.5-14.9	13.6-15.1	12.7-14.1
New loan loss provisions/average customer loans	(0.3)	0.1	0.4	0.3	0.2
Gross nonperforming assets/customer loans	1.1	0.8	1.0-1.1	1.3-1.4	1.2-1.4
Risk-adjusted capital ratio	9.4	9.7	9.7-10.2	10.1-10.6	10.2-10.7

A - Actual. F - Forecast. All data are after adjustments of S&P Global Ratings.

Anchor: Reflects the focus of activities in Israel

We expect the growth of the Israeli economy to slow down to 1.5% in 2023, due to the current political environment, the slowdown in growth of Israel's key trading partners and tightening of the monetary policy. We estimate that the economic growth will return to an annual average of 3.5% from 2024, due to a more supportive environment. Since 2020, there has been a substantial increase of 27% in credit in the Israeli financial system, mainly in the construction and mortgage sectors, and real estate prices have risen by 22.4% in real terms, mainly due to the housing crisis. We now expect the rise in real estate prices to moderate in 2023 and stabilize thereafter, and the high interest rate environment and inflation to slow down the credit growth. We believe that the significant exposure of the banks to the real estate sector is a risk factor, but we estimate that banks have the tools to deal with such risk. We expect the credit losses to continue increasing to 40 base points in 2023, and then to decrease to pre-pandemic levels of 25-30 base points in 2024-2025.

The banking sector in Israel has a strong capital base, very high liquidity and a strong financing profile, consisting mainly of local deposits. The regulatory supervision is strict, and has led to toughening of the underwriting terms of the banks. We expect the profitability of the Israeli banking sector to continue to be supported by the high interest rate environment, together with increased efficiency. In our view, the banks are well prepared to deal with digitization risks, but non-bank credit providers and promotion of competition by the Bank of Israel may harm the sector's profitability in the short term.

Business status: Leading domestic market share

Bank Leumi has a leading competitive status, along with substantial presence in all segments in the banking industry in Israel (see Charts 1 and 2). The Bank aspires to maintain its current market shares in most operating segments, while continuing to increase mortgages. At the same time, Leumi will continue to increase its digitization efforts, while maintaining close control of costs in the inflationary environment.

Chart 1: Leumi has a substantial market share in all segments

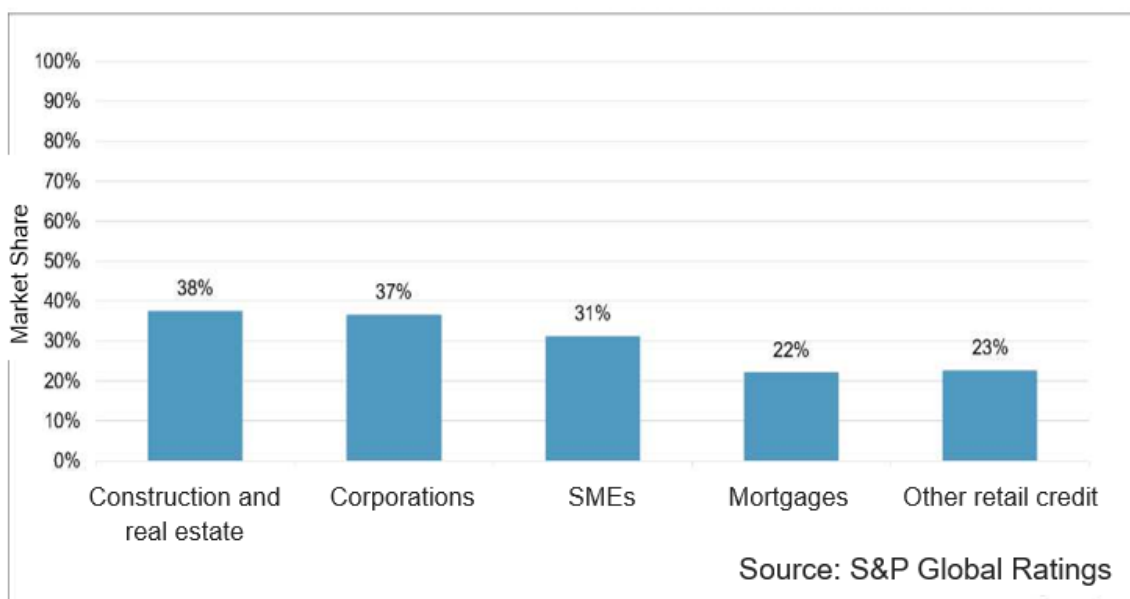
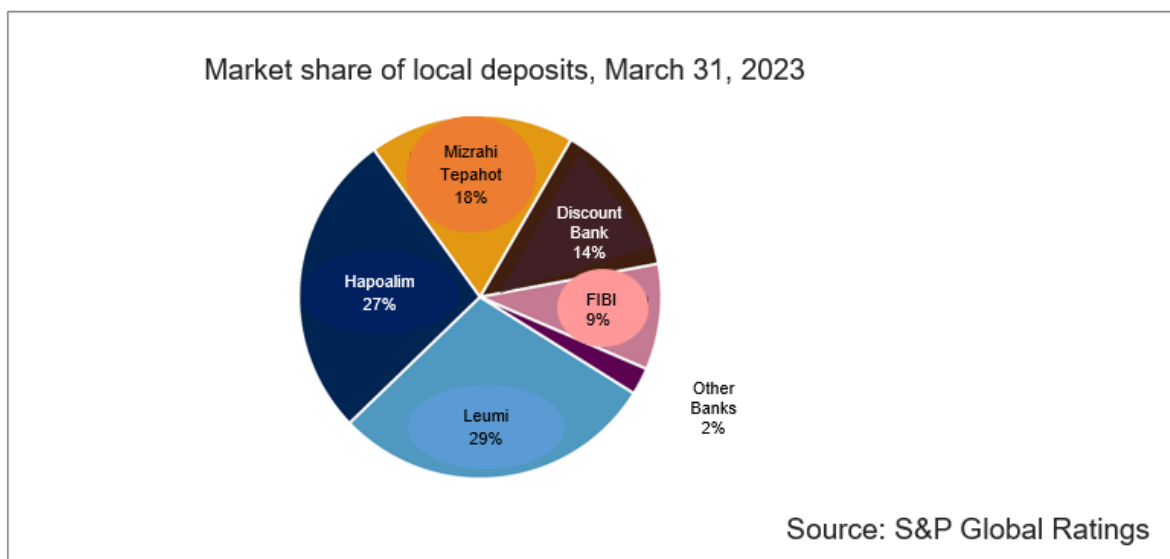
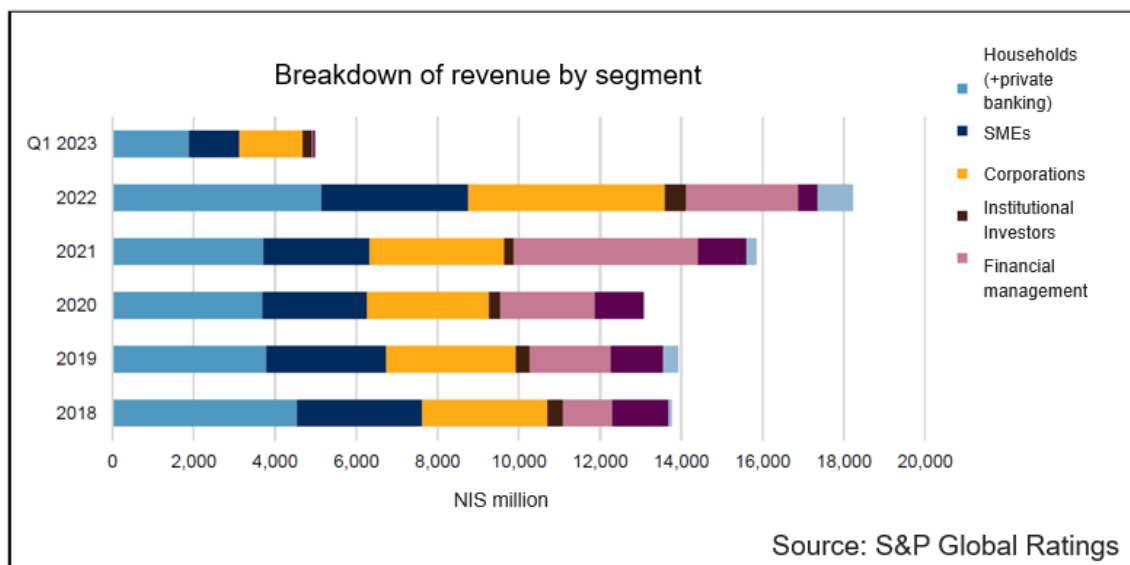


Chart 2: Leumi is one of the two largest banks in Israel

Bank Leumi has diversified lines of business that provide stability. However, the Bank's extensive activity in the capital market and investment banking leads to certain fluctuations in its revenue base (see Chart 3).

Chart 3: Leumi has a diversified revenue base that assists in forecasting

Since 2020, the Bank has grown significantly, but such growth focuses mainly on the real estate and construction industries, which, in our view, are presently more risky. We consider maintenance of strict underwriting standards positively, but believe that rapid growth of the real estate sector may expose Leumi to risks, due to deterioration of the economic environment. As with the other banking systems, we expect the Bank's credit growth to moderate in the coming years, due to erosion of financing conditions. In particular, we expect the Bank to adopt a more conservative approach to the real estate and construction industries.

On the international level, the Bank collaborates with the US Valley National Bank (hereinafter - "Valley") for servicing of the operations of large Israeli customers in the USA, which are important customers for it. On April 1, 2022, Bank Leumi finalized the sale of 85% of Bank Leumi USA shares for a cash consideration and 14.2% of Valley. Although we believe the sale reduced the operational risk, we estimate that it increased exposure to the present challenging environment of regional banks in the USA. As evidence, in May 2023 Leumi wrote off NIS 1 billion of its investment in Valley in order to reflect the weak performance of the Bank's share price, the same as the other regional banks in the USA. We estimate that there is still uncertainty regarding Valley due to erosion of its interest spreads and financing indicators. We take into account the risk involved in the investment in Valley by deducting the investment of NIS 2.4 billion from the calculation of our capital.

Capital and profitability: The improved profitability will support capital stability

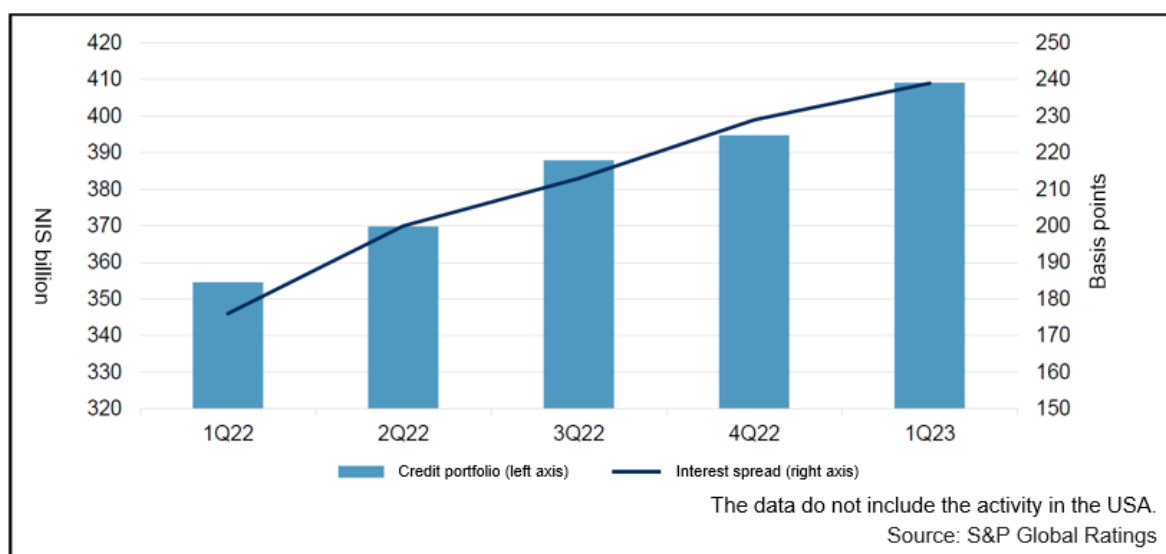
We expect Bank Leumi to gradually improve its capital base, which is measured according to the risk-adjusted capital (RAC) ratio, and will support strong profitability alongside a slowdown in business growth.

At the end of 2022, Leumi presented a high return on capital, at a rate of 17%. In addition to the credit increase and measures to reduce costs, the Bank's revenue and profits are supported to a considerable extent by the increase in interest rates, reflecting its deposit-rich profile (see Chart 4). Such support is expected, at least gradually, simultaneously to changes in monetary policy, to increase competition on the prices of deposits and the increasing transition to other products.

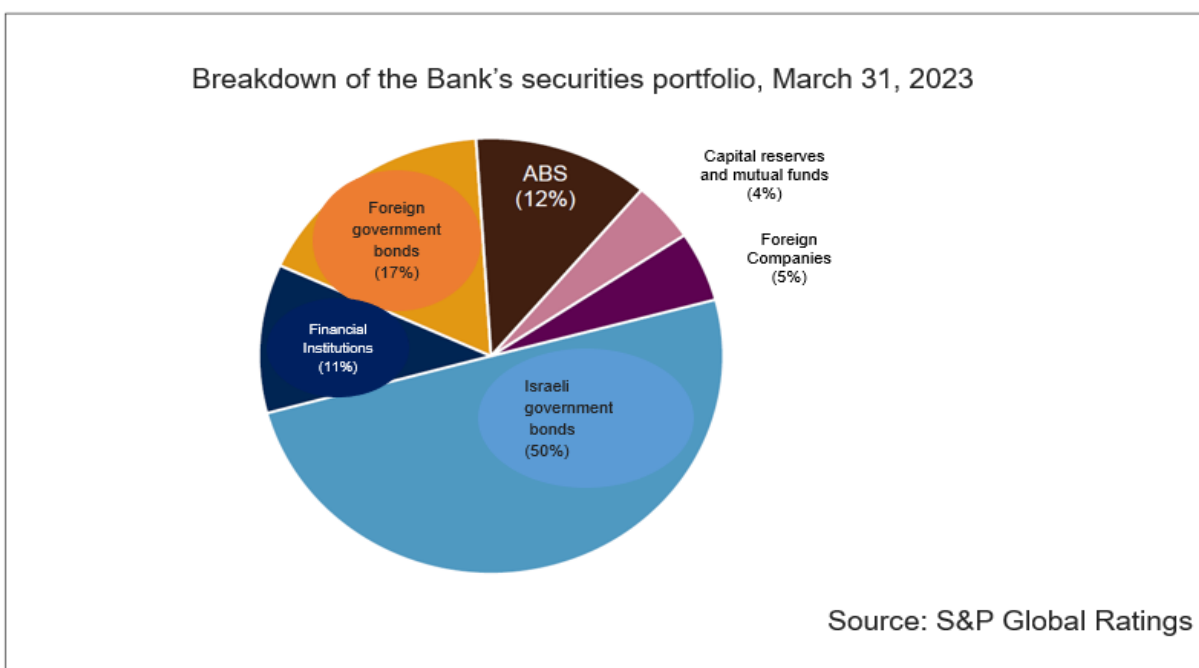
In our forecast, we take into account:

- Return on equity of 13.5%-14.5%.
- A net interest spread, which will remain high, at around 3% in 2023, the same as in the first quarter, and then return to the same rate as in 2022.
- Strong performance in revenue from various fees and commissions.
- Increase in credit losses to 35-40 points in 2023-2025, due to deterioration of the economic environment and accelerated increase in credit in recent years.
- 7%-8% growth of the credit portfolio in 2023 thanks to a strong first quarter, and 5% growth thereafter.
- Distribution of dividends according to historical levels.

Therefore, we expect Bank Leumi's risk-adjusted capital (RAC) ratio to be 10.5% in 2025, compared to 9.7% as at December 2022.

Chart 4: Leumi's outstanding credit and interest spreads are on the rise

As at March 31, 2023, financial assets were 14.5% of the total assets. They are quite diversified (see Chart 5), and NIS 6 billion thereof is invested in shares with a high risk weight of 822% in the calculation of our capital.

Chart 5: Leumi's securities portfolio is diversified, but causes fluctuations in the regulatory capital base

Adjustment of pension benefits and of value of assets to market prices - risk-adjusted capital ratio compared to regulatory capital ratio

When calculating the risk-adjusted capital, we deduct unrecognized losses or gains from the assets held for sale portfolio. As a result, the risk-adjusted capital does not reflect changes in the value of the debt assets held by the Bank. Losses related to changes in the market value of Bank Leumi's bonds amounted to NIS 1.78 billion as at March 31, 2023 compared to gains of NIS 847 million as at December 31, 2021, mainly due to the increase in interest rates.

Including non-tangible gains and losses in the total adjusted capital creates greater fluctuations of the risk-adjusted capital ratio, and may distort the real situation of the Bank's capital adequacy in cases where gains and losses are not expected to occur. However, although we do not include losses and gains related to changes in the market value of assets in the total adjusted capital, we take into account their volume, their effect on liquidity and the likelihood that they might lead to actual losses.

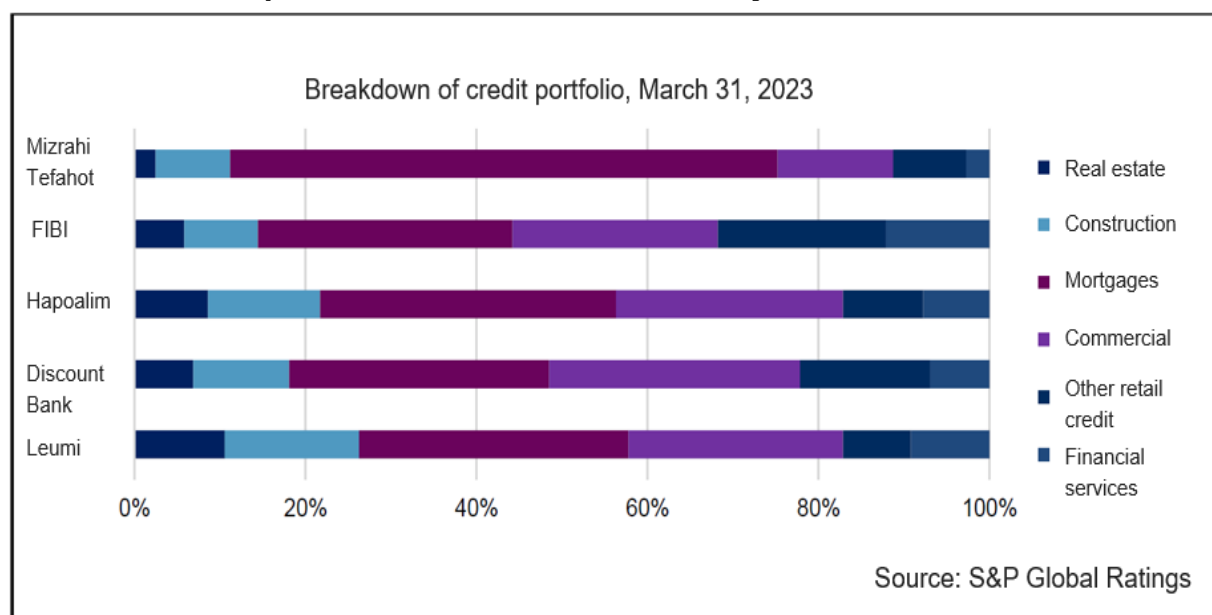
We deduct the unrecognized losses in respect of pension benefits from the capital. Those amounted to NIS 1.5 billion as at March 31, 2023, a decrease from NIS 3.5 billion as at December 2021 (we increase the capital by the amount of unrecognized gains only when this approach matches that of the regulators).

From July 2022, the Bank of Israel allows Bank Leumi to spread the change in net pension liabilities resulting from the change in discount rate over four quarters, in order to smooth the effect on capital. This is compared to a moving average over eight quarters which the Bank of Israel allowed in the past.

Risk profile: High concentration in real estate credit

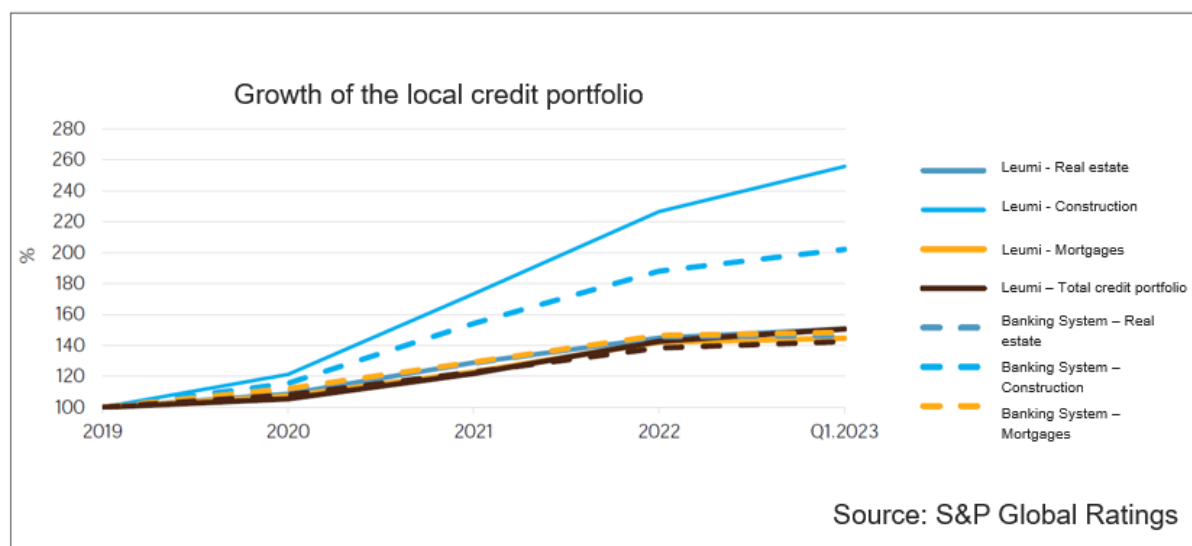
In our opinion, Bank Leumi's credit portfolio is more concentrated than most international banks in the comparison group. Due to the small size of the Israeli economy and the Bank's leading status in the commercial credit market, the exposure to large borrowers constitutes a risk compared to banks in larger and more decentralized economies.

The key risk factor for Bank Leumi and its local competitors is the high exposure to credit to the real estate industry (see Chart 6), particularly to construction finance and income-generating real estate.

Chart 6: Local exposure to the real estate industry is a risk factor

Exposure to residential real estate is less risky, in our opinion, than exposure to income-generating real estate, but we are aware of the strong growth of the real estate sector and prices in recent years. The moderate loan-to-value (LTV) ratio is (48.6% on average as at March 2023), conservative underwriting standards and ongoing demand for housing due to population growth and limited supply of housing, mitigates the risk to some extent, in our opinion.

We believe that the Bank's high exposure to construction finance and income-generating real estate is more risky, particularly considering Leumi's strong growth in the sector in recent years (see Chart 7). 60% of Leumi's exposure is concentrated in residential real estate, thereby reducing the risk to a certain degree, but recent projects might depend on a pricing assumption that may turn out to be too high due to the weakened state of the economy, which constitutes a risk, in our view. Offices and shopping malls displayed resilience during the Covid-19 crisis, but we are still witnessing the risk of oversupply in the office sector, particularly if the demand of the high-tech sector decreases significantly.

Chart 7: Growth of the real estate and construction sectors led to credit growth

The rate of the Bank's non-performing assets was 0.8% of the credit portfolio on March 31, 2023, a good rate in a global and local comparison. However, as a result of the economic slowdown, the increase in inflation and the strong growth of the real estate and construction industries, we expect a certain impairment of the quality indicators of assets, with an increase in the rate of non-performing assets to 1.4% until 2025 and a rise in credit losses to an average of 35 base points.

The exposure to credit risk may increase if the decline in real estate prices continues much longer or is more volatile than expected, if Leumi continues to increase its exposure to the sector, and particularly to construction and commercial real estate, or if the risk of oversupply in the retail and office sectors materializes.

The Bank has significant operational risks, which are not unique to it. They are related mainly to the geopolitical situation in the region and possible damage to the Bank in the event of stress events. These risks are expressed in the adjustments that we make to our anchor to banks in Israel. Furthermore, Leumi has not experienced any significant cyber events in the last three years, and continues to strengthen its cyber risk management. The Bank has set a sustainability strategy, policy and a frame for environmental, social and corporate factors that constitutes an important consideration in credit or investment decisions.

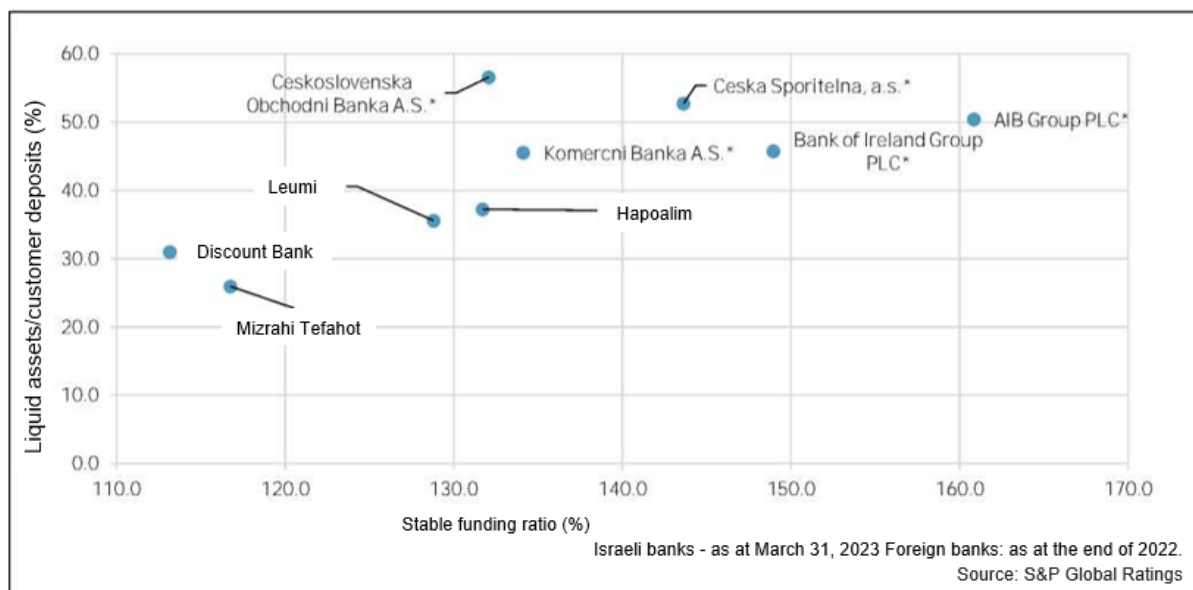
Financing and liquidity: Stable liquidity and large volume of deposits support the financing profile

Leumi's financing base consists mostly of core deposits, which, in our opinion, are diversified and stable. Notwithstanding the stability of corporate and institutional deposits, which constitute 51% of the total local deposits, they indicate a certain competition in the pricing of the deposits. We expect a transition from non-interest bearing deposits, which constitute 34% as at March 2023, to interest-bearing deposits, while the latter will be repriced more rapidly in the coming quarters compared to 2022, particularly the larger ones.

Due to its large deposit base, Bank Leumi does not depend substantively on wholesale financing to finance long-term customer assets. As at March 31, 2023, debt issues were 5.6% of the total financing.

The Bank has substantial liquid asset buffers, including cash, deposits at the Bank of Israel and other banks, and investments in securities, in a volume of a third of the total assets as at March 31, 2023. The firm financing and liquidity indicators support the rating (see Chart 8).

Chart 8: The firm liquidity supports the Bank's indicators



External support: Potential government support

The Bank's long-term issuer rating is supported by its systematic importance in Israel and by government policy that supports the local banking system. We will reconsider our assessment of government support if the regulatory authorities revise the regulatory framework of support to banks, but we do not expect such reduction in the mid-term.

Environmental, Social and Corporate Governance (ESG) factors

E-2, S-2, G-2: ESG indicators in the credit rating

We believe that environmental, social and corporate governance factors affect the quality of Bank Leumi's credit in the same way as the industry and other Israeli banks.

In recent years, there were several changes to the Bank's senior management, but we expect continuity and consistency in its strategy. We believe that the Bank management is experienced and professional. Bank Leumi has a firm system of checks and balances in its decision making and external directors that support the Bank's strategy.

Environmental and social factors affect the quality of Bank Leumi's credit in the same way as the other banks in the industry. We expect the Bank's investments in digitization to have gradual positive environmental effects. Furthermore, the Bank revised its underwriting policy, to take into account environmental, social and corporate governance factors, and it recently signed a transaction of EUR 500 million with EIB for the provision of green credit to small and mid-sized businesses. With respect to social risks, Bank Leumi will continue to reduce its workforce as part of its strategy. We expect early retirement processes to be carried out cautiously.

Hybrid instruments

We rate subordinated bonds with a loss-absorption mechanism by reducing one notch from the Bank's standalone credit profile due to insolvency risk, because we do not expect these instruments to have state support, and by reducing another notch from the local rating, due to their subordination. The final rating of these instruments is 'ilAA'.

Data and financial ratios

Table 1.

1 Bank Leumi le-Israel B.M. Key Figures (Mil. ILS)

	Qtr Mar-2023	Annual Dec-2022	Annual Dec-2021	Annual Dec-2020	Annual Dec-2019
Adjusted assets	682,477	698,109	656,440	556,020	469,118
Customer loans (gross)	410,259	390,877	348,331	301,263	286,550
Adjusted common equity	47,291	45,904	38,843	34,586	32,237
Operating revenues	4,898	17,663	15,802	12,968	13,407
Noninterest expenses	1,629	6,834	7,425	6,928	7,799
Core earnings	1,502	7,068	5,968	2,128	3,302

Data are based on S&P Global Ratings adjusted number and ratios

Table 2.

Bank Leumi le-Israel B.M. Business Position (Mil. ILS)

	Qtr Mar-2023	Annual Dec-2022	Annual Dec-2021	Annual Dec-2020	Annual Dec-2019
Total revenues from business line (currency in millions)	3,905	18,631	15,965	12,969	13,802
Commercial banking/total revenues from business line	71.75	48.03	42.81	50.71	44.52
Retail banking/total revenues from business line	48.07	27.75	24.03	28.57	28.76
Commercial & retail banking/total revenues from business line	119.82	75.78	66.83	79.28	73.29
Other revenues/total revenues from business line	(19.8)	24.22	33.17	20.72	26.71
Return on average common equity	7.91	16.93	15.21	5.75	9.96

Data are based on S&P Global Ratings adjusted number and ratios

Table 3.

Bank Leumi le-Israel B.M. Capital and Earnings					
	Qtr	Annual	Annual	Annual	Annual
	Mar-2023	Dec- 2022	Dec- 2021	Dec- 2020	Dec- 2019
Tier 1 capital ratio	11.23	11.46	11.50	11.87	11.88
S&P Global Ratings' RAC ratio before diversification	N/A	N/A	9.41	10.66	10.41
S&P Global Ratings' RAC ratio after diversification	N/A	N/A	8.76	9.40	8.89
Adjusted common equity/total adjusted capital	100.00	100.00	100.00	100.00	100.00
Net interest income/operating revenues	80.20	74.79	65.47	67.27	65.94
Fee income/operating revenues	19.35	20.01	22.19	24.39	23.24
Market-sensitive income/operating revenues	0.51	2.95	10.85	7.91	10.32
Cost to income ratio	33.26	38.69	46.99	53.42	58.17
Provision operating income/average assets	1.89	1.60	1.38	1.18	1.21
Core earnings/average managed assets	0.87	1.04	0.98	0.42	0.71

N/A - not applicable

Data are based on S&P Global Ratings adjusted number and ratios

Table 4.

Bank Leumi le-Israel B.M. RACF [Risk-Adjusted Capital Framework] Data (Mil. ILS)

	EAD(1)	Basel III RWA(2)	Average Basel III RW(%)	S&P Global RWA	Average S&P Global RW (%)
Credit risk					
Government and central banks	240,462	5,048	2	2,429	1
Of which regional governments and local authorities	10,546	3,881	37	380	4
Institutions and CCPs	35,940	7,746	22	8,924	25
Corporate	264,934	243,784	92	273,174	103
Retail	162,778	97,047	60	65,839	40
Of which mortgage	121,346	65,893	54	34,754	29
Securitization (3)	3,174	751	24	751	24
Other assets (4)	8,220	28,964	352	21,391	260
Total Credit Risk	715,509	383,339	54	372,509	52
Total credit valuation adjustment	—	3,323	—	4,320	—
Equity in the banking book	6,126	5,995	98	50,552	825
Trading book market risk	--	6,610	--	9,915	--
Total market risk	--	12,605	--	60,467	--
Total operational risk	--	26,375	--	34,120	--
		Basel III RWA	S&P Global RWA	% of S&P Global RWA	
RWA before diversification		425,642	471,416	100	
Total Diversification/ Concentration Adjustments		--	50,374	11	
RWA after diversification		425,642	521,790	111	
	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global RAC ratio (%)	
Capital ratio before adjustments	48,797	11.5	45,904	9.7	
Capital ratio after adjustments (5)	48,797	11.5	45,904	8.8	

(1) EAD: Exposure At Default (2) RWA: Risk-Weighted Assets (3) Securitisation Exposure includes the securitisation tranches deducted from capital in the regulatory framework (4) Other assets includes Deferred Tax Assets (DTAs) not deducted from ACE (5) For Tier 1 ratio, adjustments are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons)

Table 5.**Bank Leumi le-Israel B.M. Risk Position (%)**

	Qtr Mar-2023	Annual Dec- 2022	Annual Dec- 2021	Annual Dec- 2020	Annual Dec- 2019
Growth in customer loans	19.83	12.21	15.62	5.13	4.08
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	N/A	7.39	13.39	17.15
Total managed assets/adjusted common equity (x)	14.43	15.23	16.90	16.08	14.55
New loan loss provisions/average customer loans	0.41	0.13	-0.25	0.87	0.22
Net charge-offs/average customer loans	0.08	0.07	-0.03	0.18	0.24
Gross nonperforming assets/customer loans + other real estate owned	0.83	0.77	1.12	1.60	1.23
Loan loss reserves/gross nonperforming assets	156.30	165.98	116.11	109.57	94.36

N/A - not applicable

Data are based on S&P Global Ratings adjusted number and ratios

Table 6.**Bank Leumi le-Israel B.M. Funding and Liquidity**

	Qtr Mar-2023	Annual Dec- 2022	Annual Dec- 2021	Annual Dec- 2020	Annual Dec- 2019
Core deposits/funding base	90.33	91.07	92.45	93.13	93.36
Customer loans (net)/customer deposits	75.93	69.24	63.96	66.18	75.74
Long-term funding ratio	95.50	94.93	95.00	96.36	97.51
Stable funding ratio	128.79	137.31	145.32	140.28	126.61
Short-term wholesale funding/funding base	4.88	5.47	5.36	3.93	2.71
Regulatory net stable funding ratio	118.00	128.00	131.00	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	6.59	6.68	7.77	10.15	11.82
Broad liquid assets/total assets	27.81	31.96	36.91	34.44	27.33
Broad liquid assets/customer deposits	35.59	40.10	45.08	42.82	34.28
Net broad liquid assets/short-term customer deposits	37.74	42.62	49.09	48.26	39.23
Regulatory liquidity coverage ratio (LCR) (x)	1.18	1.31	1.24	1.37	1.23
Short-term wholesale funding/total wholesale funding	50.43	61.26	71.08	57.21	40.76

N/A - not applicable

Data are based on S&P Global Ratings adjusted number and ratios

Methodology and Related Articles

- [Methodology – General: the S&P Rating Principles](#), published on February 16, 2011
- [Methodology for Linking Long-Term and Short-Term Ratings](#) - April 7, 2017
- [Methodology: Risk-Adjusted Capital Adequacy Methodology of Financial Institutions](#) - July 20, 2017
- [Group Rating Methodology Published](#) - July 1, 2019
- [Methodology – General: Credit Risks Resulting from Environment, Society, and Corporate Governance Factors](#), October 10, 2021
- [Methodology: A Methodology for Rating Financial Institutions](#), published on December 9, 2021
- [Methodology: A Methodology for Estimating Risk in the Banking Sector](#), published on December 9, 2021

- Methodology – General: Hybrid Capital Rating, published on March 2, 2022
- Methodology For National And Regional Scale Credit Ratings - June 8, 2023
- Definitions of S&P Global Ratings - June 9, 2023
- Opinions and Interpretation: The Correlation Between the Global Rating Scale and the Israeli Rating Scale - June 26, 2018
- **List of Ratings**

Bank Leumi le-Israel B.M.	Rating	Publication date of initial rating	Last rating revision date
Issuer rating(s)			
Short term	iIA-1 +	March 9, 2022	July 26, 2022
Long term	iIAAA\Stable	May 1, 1998	July 26, 2022
Issuer rating(s)			
<u>Commercial Securities</u> - Series 4 time debt 4	iIA-1 +	May 23, 2023	May 23, 2023
<u>Hybrid subordinated debt</u>			
Subordinated bonds with a contractual loss absorption mechanism (Series 402)	iIAA	May 31, 2018	July 26, 2022
Subordinated bonds with a contractual loss absorption mechanism (Series 403)	iIAA	January 17, 2019	July 26, 2022
Subordinated bonds with a contractual loss absorption mechanism (Series 405)	iIAA	March 9, 2022	July 26, 2022
Series 404	iIAA	June 26, 2019	July 26, 2022
<u>Short term debt</u> Series 3	iIA-1 +	September 6, 2022	September 6, 2022
<u>Unsecured senior debt</u> Bonds Series 178	iIAAA	June 21, 2015	July 26, 2022
Bonds Series 179	iIAAA	May 31, 2018	July 26, 2022
Bonds Series 182, 183	iIAAA	November 9, 2021	July 26, 2022
Bonds Series 184	iIAAA	March 9, 2022	July 26, 2022
Bonds Series 180	iIAAA	January 17, 2019	July 26, 2022
Issuer rating history			
Long term			
October 07, 2014	iIAAA\Stable		
May 5, 2010	iIAA+\Stable		
April 30, 2009	iIAA+\Negative		
June 21, 2007	iIAAA\Stable		
May 14, 2006	iIAAA		
February 20, 2003	iIAA+		
May 1, 1998	iIAAA		
Short term			
March 2022, 2023	iIA-1+		
Additional details			
Time on which the event took place	August 2, 2023 15:37		
Date and time when the event first became known	August 2, 2023 15:37		
Rating initiated by	Rating agency		

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