

## 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  
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Transmission Date: February 18, 2024  
Reference: 2024-01-017076

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

**Supplementary report to a report issued on February 14, 2024 whose reference no. is: 2024-01-016083**

*Key details added/supplemented: Further to the notice issued by the rating agency Moody's on February 13, 2024, whereby following the downgrading of the rating of the State of Israel from A1 to A2 with a negative outlook, Moody's also downgraded the rating of the Bank and other Israeli banks' long and short-term deposits to A3 and P-2, respectively, and the CRR rating of the Bank and other Israeli banks to A2 with a negative outlook. On February 16, 2024 Moody's published a supplementary detailed report in relation to the Bank, which is attached to this report.*

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

On February 13, 2024, Moody's published the following:

A rating report/update notice: *Updated*

1. Rating report or notice

Rating of the corporation: *Moody's-A3/P-2, CRR-A2/P-2* \_\_\_\_\_ *negative*  
Comments/Nature of Notice: *Downgrading of rating* \_\_\_\_\_

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

Date	Subject of Rating	Rating	Comments/ Substance of Notice
October 24, 2023	Bank Leumi le-Israel B.M.	Moody's-A2/P-1, CRR-A1/P-1, None/NOO	Review for downgrade (negative) / review of rating (negative)
September 11, 2023	Bank Leumi le-Israel B.M.	Moody's-A2/P-1, CRR-A1/P-1 _____ stable _____	Affirmation of rating
February 1, 2023	Bank Leumi le-Israel B.M.	Moody's-A2/P-1, CRR-A1/P-1 _____ stable _____	Affirmation of 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.

2. Rating of the corporation's bonds:

Security name & type	TASE Security No.	Rating agency	Current rating	Comments / nature of notice

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

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:

[isa.pdf 2024](#)

**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](#).

*Further to the notice issued by the rating agency Moody's on February 13, 2024, whereby following the downgrading of the rating of the State of Israel from A1 to A2 with a negative outlook, Moody's also downgraded the rating of the Bank and other Israeli banks' long and short-term deposits to A3 and P-2, respectively, and the CRR rating of the Bank and other Israeli banks to A2 with a negative outlook. On February 16, 2024 Moody's published a supplementary detailed report in relation to the Bank, which is attached to this report.*

*For more information, see the attached file.*

*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@bll.co.il](mailto:David_S@bll.co.il) company's website: [www.leumi.co.il](http://www.leumi.co.il)*

*Previous names of the reporting entity:*

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**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/>

## CREDIT OPINION

15 February 2024

Update



Send Your Feedback

### RATINGS

#### Bank Leumi Le-Israel B.M.

Domicile	Tel Aviv, Israel
Long Term CRR	A2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	A3
Type	LT Bank Deposits - Fgn Curr
Outlook	Negative

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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## Bank Leumi Le-Israel B.M.

Update following ratings downgrade

### Summary

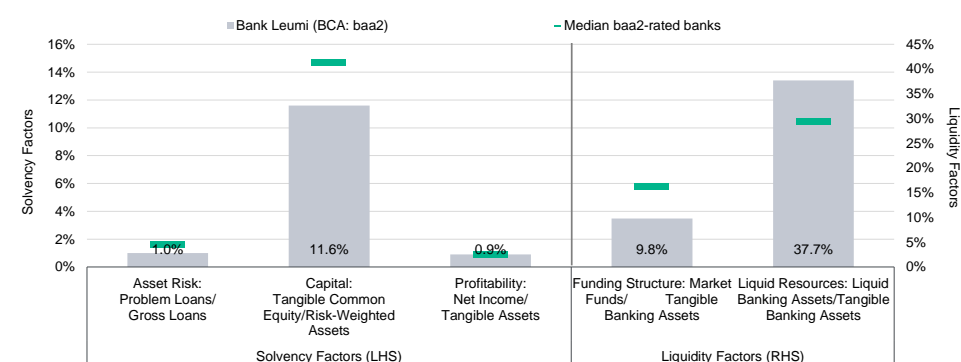
[Bank Leumi Le-Israel B.M.](#) (Bank Leumi)'s A3 long-term deposit ratings reflect (1) the bank's baa2 Baseline Credit Assessment (BCA); and (2) two notches of rating uplift based on our assessment of a very high likelihood of support from the [Government of Israel](#) (A2 negative), in case of need.

Bank Leumi's baa2 standalone BCA reflects a strong domestic deposit-based funding structure, that comfortably funds lending activities, healthy liquidity and its low problem loans and credit losses over a whole economic cycle.

The BCA also reflects additional downside risks from a significant exposure concentration to the Israeli property market. Capitalisation is moderate. The bank's tangible common equity (TCE)/risk-weighted assets (RWAs) ratio was 11.6% as of September 2023, which although below similarly-rated international peers, has been consistently stable and mainly reflects Bank of Israel's (BoI) conservative risk weighting.

Exhibit 1

### Rating Scorecard - Key financial ratios



These are our [Banks Methodology](#) scorecard ratios. Asset Risk and Profitability reflect the weaker of either the latest figure or the three-year and latest figure average. Capital is the latest reported figure. Funding Structure and Liquid Resources reflect the latest fiscal year-end figures.

Source: Moody's Investors Service

## Credit strengths

- » Strong domestic deposit-based funding structure and healthy liquidity
- » Asset quality has been sound, underpinned by a conservative risk appetite
- » Very high likelihood of government support, in case of need, underpins the deposit ratings

## Credit challenges

- » Given the crystallisation of geopolitical risks, asset quality will likely deteriorate and profitability will decline
- » Large exposure concentration to Israel's property market is also a tail risk

## Rating outlook

The negative outlook on the long-term deposit ratings captures both the negative outlook on the Government of Israel's rating and the potential for a significantly more negative impact on the economy in the event of an escalation in the ongoing conflict, which could lead to the bank's standalone fundamentals being impacted more severely.

## Factors that could lead to an upgrade

- » There is a limited scope for an upgrade of the Bank Leumi's deposit ratings given the negative outlook. We could stabilise the outlook on the bank's ratings in case the outlook on the sovereign rating changes to stable and/or downside risks to the economy and the bank subside.

## Factors that could lead to a downgrade

- » Bank Leumi's long-term deposit ratings could be downgraded if both the sovereign rating and the standalone BCA are downgraded.
- » The bank's BCA could be downgraded in case of a prolonged and wider conflict that could have a significant impact on the standalone fundamentals, or if the bank's performance proves more volatile than in previous conflicts and economic crises.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Bank Leumi Le-Israel B.M. (Consolidated Financials) [1]

	09-23 <sup>2</sup>	12-22 <sup>2</sup>	12-21 <sup>2</sup>	12-20 <sup>2</sup>	12-19 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (ILS Million)	700,761.0	699,166.0	656,454.0	556,035.0	468,781.0	11.3 <sup>4</sup>
Total Assets (USD Million)	184,071.7	198,148.2	211,408.1	173,176.5	135,721.2	8.5 <sup>4</sup>
Tangible Common Equity (ILS Million)	54,863.0	51,322.6	38,657.2	33,501.1	31,995.7	15.5 <sup>4</sup>
Tangible Common Equity (USD Million)	14,411.1	14,545.2	12,449.4	10,433.9	9,263.4	12.5 <sup>4</sup>
Problem Loans / Gross Loans (%)	0.8	0.5	1.1	1.6	1.2	1.0 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	11.6	11.9	10.2	9.9	9.9	10.7 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	5.4	3.5	9.0	12.5	9.9	8.1 <sup>5</sup>
Net Interest Margin (%)	2.4	2.0	1.7	1.7	1.9	1.9 <sup>5</sup>
PPI / Average RWA (%)	3.4	2.7	2.5	2.0	2.0	2.5 <sup>6</sup>
Net Income / Tangible Assets (%)	1.0	1.1	1.0	0.5	0.9	0.9 <sup>5</sup>
Cost / Income Ratio (%)	28.0	35.9	42.6	48.3	52.7	41.5 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	11.5	9.8	7.9	7.1	5.8	8.4 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	31.9	37.7	42.4	40.3	33.4	37.1 <sup>5</sup>
Gross Loans / Due to Customers (%)	78.0	70.1	64.8	67.4	76.6	71.4 <sup>5</sup>

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

## Profile

Bank Leumi provides banking, financial and nonbanking services to large corporations, middle-market companies, small businesses, households and wealthy customers. It also holds some investments in nonbanking corporations in various fields.

As of September 2023, Bank Leumi was the largest bank in Israel in term of total assets, reporting total consolidated assets of NIS701 billion (\$184 billion). As of the same date, Bank Leumi's market share in total system assets was 29%.

The bank was founded in 1902 in London as the Anglo Palestine Company. Until 1954, when the Bank of Israel was established, it served as the financial agent of the State of Israel and issued the country's first currency. In 1950, the bank's name was officially changed to Bank Leumi. The bank's common stock trades on the Tel Aviv Stock Exchange (ticker: LUMI).

In recent years, the bank has focused its activities in Israel, and sold or scaled-back overseas operations. In April 2022, Bank Leumi completed the [sale of its US subsidiary](#) to New Jersey-based Valley National Bancorp (Valley). Bank Leumi became Valley's largest shareholder, holding approximately 14% of Valley's stock. Additionally, the two banks have entered into a cooperation agreement that allows Bank Leumi to maintain access to the US banking market through Valley.

Following the transaction, the bank's investment in Valley's shares is recorded according to the equity method. Because of significant decline in the share prices of regional US banks at the time, Bank Leumi recognised an impairment loss on its investment in Valley in the first quarter of 2023 amounting to NIS1.1 billion, after tax, equivalent to 0.16% of total assets.

## Source of facts and figures cited in this report

Unless noted otherwise, we have sourced data relating to systemwide trends and market shares from the central bank. Bank-specific figures originate from the banks' reports and are based on our own chart of accounts and may be adjusted for analytical purposes. Please refer to [Financial Statement Adjustments in the Analysis of Financial Institutions](#) published on 1 February 2024. We do not use the Bank of Israel's exchange rates in converting figures from Israeli shekel into US dollars, so US dollar figures may differ from bank reported figures.

## Detailed credit considerations

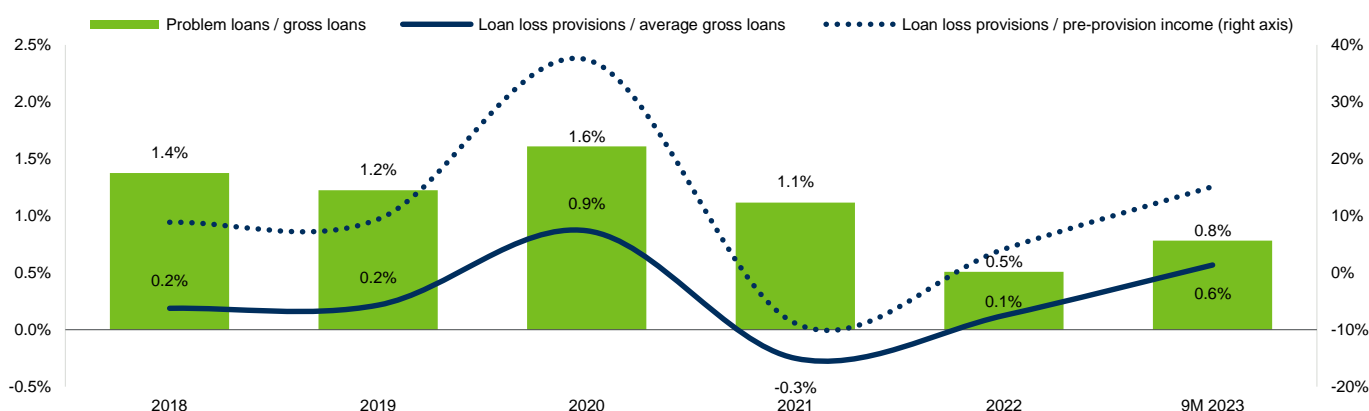
### Sound asset quality that will likely deteriorate

Bank Leumi's sound asset quality is likely to deteriorate from strong levels because of the economic impact of the ongoing military conflict. The bank is proactively provisioning against downside scenarios. Additionally to risks from geopolitical tensions and similarly

to other Israeli banks, the bank's significant exposure to [Israel's property market](#) through its lending activities is also a downside risk for its asset quality. Our assessment also reflects the bank's modest credit losses over a long period, as well as relatively tight underwriting standards supported by proactive oversight by the Bol and limited single-name concentrations (with no exposures exceeding 15% of its capital as of September 2023).

Bank Leumi's problem loans (defined as non-accruing loans and accruing loans that are more than 90 days overdue) were a low 0.8% of gross loans as of September 2023 (see Exhibit 3). Credit costs (loan loss provision expenses to average gross loans) increased to 0.6% in the nine months ending September 2023 from very low levels in 2021 and 2022, mainly driven by collective provisions booked in the third quarter of 2023 (equivalent to 0.8% of average gross loans). These reflected the deterioration in macroeconomic indicators and the increased risk in sectors most exposed to the conflict. In 2024, we expect Bank Leumi's credit costs to remain above the historical average of 0.3%<sup>1</sup>.

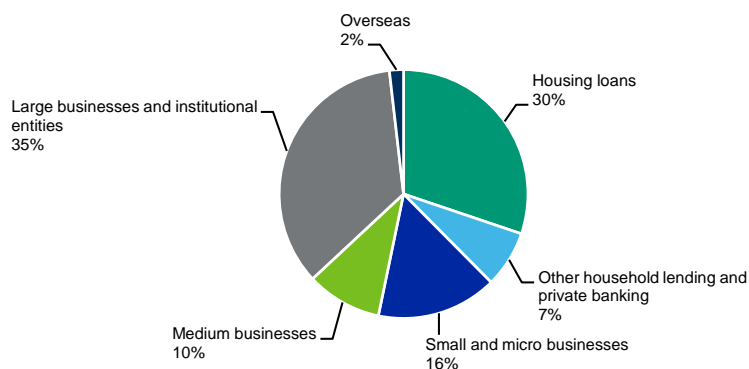
Exhibit 3  
**Bank Leumi's asset quality has been sound with low problem loans and modest credit losses**  
 Evolution of problem loans ratio and annualised credit costs



Source: Moody's Investors Service

The bank's loan portfolio is relatively diversified within segments in Israel. Low-risk residential mortgages<sup>2</sup>, with an average loan-to-value of 49%, accounted for 30% of total gross loans and medium and large businesses (including institutional entities) for an additional 45% as of September 2023 (see Exhibit 4). The bank's exposure to small businesses<sup>3</sup> in Israel, was 16% and consumer lending was 7%. The bank's loan growth, mainly in mortgages, middle-market and corporate, moderated to 8% in the nine months ending in September 2023, from a double digit growth in 2022, driving some unseasoned risk.

Exhibit 4  
**Bank Leumi's loan book is relatively diversified by segment**  
 Loan book breakdown as of September 2023 (gross loans, regulatory operating segments)



Source: Bank's financial statements

Sector concentration to real estate is high. In addition to mortgages, lending to the construction and real estate sector made up a further 26% of total lending as of September 2023, the highest in the system, and the bank's exposure grew by 20% year-over-year because of strong demand. Bank Leumi's asset quality is susceptible to the risk of a sharp property price correction together with reduced ability of borrowers to service their loans. The real estate sector, already affected by higher interest rates and lower demand prior to the outbreak of the conflict, is also vulnerable to a sustained disruption in activity.

Residential projects, where long-term demand is supported by a growing population, made up 59% of the bank's total credit risk secured by real estate in Israel as of September 2023. A significant part, around 23%, of the overall exposure to the sector was for the acquisition of land for construction where projects will take several years to complete. However, of the bank's real estate exposures under construction 97% have the capacity to absorb a price drop of up to 25% without the bank incurring losses. Bank Leumi is working towards reducing the concentration in this sector.

### Moderate risk-weighted capitalisation and leverage

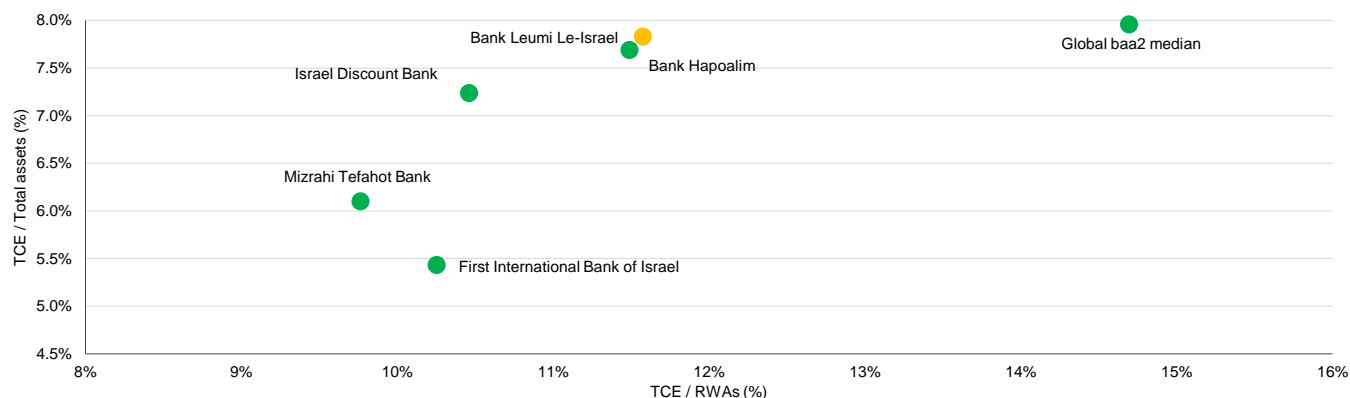
We view Bank Leumi's capitalisation as moderate. Although risk-weighted capital metrics are below global peers, the bank's loss-absorption buffers are supported by conservative regulatory risk-weights. Mortgages are risk-weighted according to their loan-to-value, resulting in an average risk weight of over 50% in Israel, which is higher than the 35% risk weight normally used in the standardised approach. The bank's capital ratios are also more stable compared to banks globally that use a model based approach in calculating credit RWAs. Regulatory capital levels would, however, be somewhat sensitive to foreign exchange movements and to the sovereign's rating level, however, the bank is retaining more profits against potential volatility.

Bank Leumi's TCE/RWAs ratio was 11.6% as of September 2023, below the global peer median (see Exhibit 5). The bank's TCE-to-total assets ratio was 7.8% as of September 2023 and in-line with global peers. The reported Basel leverage ratio was 6.7% as of September 2023, above the 5.5% minimum regulatory requirement that applied at that time.

Exhibit 5

### Bank Leumi's risk-weighted capitalisation is lower than global peers, mainly because of more conservative risk weights

Risk-weighted capitalisation and leverage of Israeli banks and the global median as of September 2023



Source: Moody's Investors Service

Bank Leumi also reported a Common Equity Tier 1 (CET1) ratio of 11.3% as of September 2023, sufficiently exceeding a 10.2% minimum regulatory requirement and the bank's internal minimum threshold of 10.6%.

Similarly to other periods of high volatility and in line with the Bol's guidance, Bank Leumi reduced its dividend and distributed 20% of profits in the third quarter of 2023 against a dividend distribution policy of up to 50% of net profits in each quarter, supplemented by share buybacks. Through adjustments in earnings distributions, capital raising and RWAs management, Bank Leumi has demonstrated its ability to maintain steady capital ratios over time.

### Profitability is moderate and supported by strong revenue generating capacity and cost control

Bank Leumi's ongoing profitability is moderate, supported by strong revenue generating capacity given its established franchise and business growth potential in Israel. Tight cost control and operating [efficiency gains](#) also support sustainable profitability and the bank's



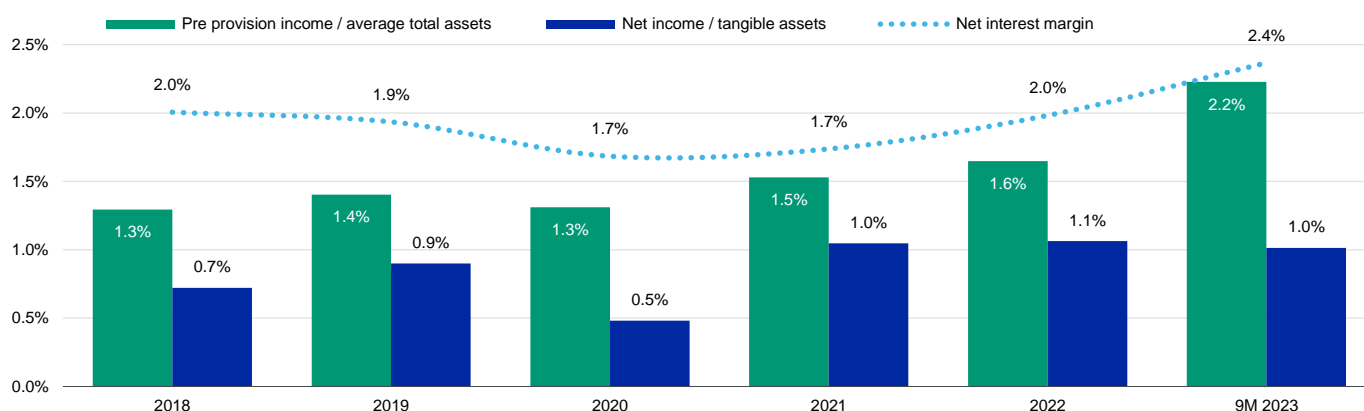
ability to resist [growing competition](#), income headwinds and its ability to withstand and recover from shocks. Following successive streamlining initiatives<sup>4</sup> and strong business growth, the bank's reported cost-to-income ratio was 31% for the first nine months ending in September 2023, one of the lowest levels ever reported.

In the coming quarters, profitability will decline from recent exceptionally high levels because of higher cost of risk, lower credit growth and support measures to customers affected by the conflict.<sup>5</sup> The authorities' planned increase in bank taxes for 2024 and 2025 will also weigh on the bank's bottom-line. Gradually lower interest rates, the BoI cut its policy rate by 25 basis points to 4.5% in January 2024, and moderating CPI will also restrain financing income. But still overall high interest rates will be supportive of a healthy net interest margin and robust revenues.

The bank's net income to tangible assets was an annualised 1.0% in the nine months ending in September 2023 and 1.1% for 2022 (see Exhibit 6), higher than the usual and the average of 0.8% over the period 2017-2019. Stronger profits were driven by strong revenue growth because of loan growth, an expanding net interest margin and higher CPI benefiting returns from the bank's net long CPI position (deriving mainly from CPI-linked mortgages). Profits in 2022 also benefited from the sale of Bank Leumi USA.

Exhibit 6

### Bank Leumi's profitability is moderate Evolution of profitability metrics



Source: Moody's Investors Service

The bank's net interest margin widened to 2.4% in the nine months ending in September 2023 from 2.0% in 2022 and 1.7% in 2021 because rate hikes allowed the bank to unlock the value from its low-cost core deposit base. Even before the conflict and the recent policy rate cut, we expected the net interest margin to peak in mid-2023 because of a gradual shift from current accounts to costlier time deposits. The bank's non-interest bearing deposits accounting for 27% of total deposits as of September 2023 compared to 35% at end-2022.

### Strong domestic deposit-based funding structure and healthy liquidity

Bank Leumi's funding structure is strong and made up of a large deposit base in Israel, helped by the country's strong savings culture. Customer deposits were equivalent to 78% of total assets as of September 2023 and comfortably funded the bank's lending activities. Bank Leumi's net-loans-to-deposits ratio was 77% as of September 2023.

Deposits are relatively granular. Deposits from households (excluding private banking) and small businesses (based on regulatory operating segments) made up 43% of total deposits as of September 2023. Our assessment also takes into account that as of the same date, 23% of total deposits were sourced from institutional investors that would be more vulnerable to a loss in depositor confidence. However, Bank Leumi's deposit base has proven to be stable during past systemic shocks, and the risk of shekel-denominated deposit outflows is limited, given that the shekel market is a closed market.

The bank remains a large net interbank placer and has relatively low reliance on potentially more confidence-sensitive market funding. Market funds accounted for 11.5% of tangible banking assets as of September 2023 including some senior issuances and higher derivative balances, which are mainly driven by customer activity. Bonds and subordinated notes stood at NIS27.6billion (4% of total

assets) as of September 2023, providing term funding. These balances are mainly sourced from the local capital market and allow for better matching of assets and liabilities.

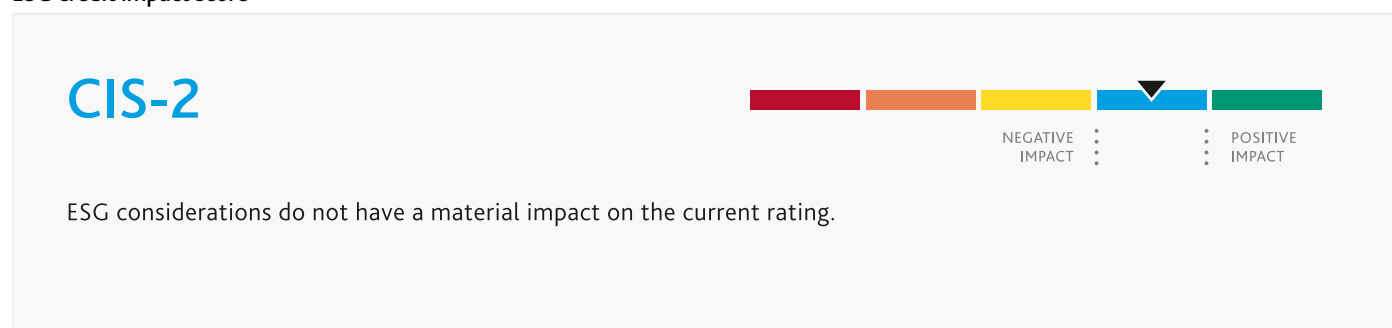
The bank also maintains a healthy level of liquidity. Liquid assets made up 32% of total assets as of September 2023. Cash and interbank placements accounted for 14% of total assets, and securities for a further 19% as of September 2023. Israeli government bonds made up 57% of the bank's securities portfolio, and US government bonds an additional 12%. Bank Leumi reported a liquidity coverage ratio of 130% and a net stable funding ratio of 118% as of September 2023, both of which were substantially above the 100% minimum regulatory requirement.

## ESG considerations

### Bank Leumi Le-Israel B.M.'s ESG credit impact score is CIS-2

Exhibit 7

#### ESG credit impact score



Source: Moody's Investors Service

Bank Leumi's **CIS-2** indicates that ESG factors are not material to the current ratings because a high level of government support mitigates the impact from ESG risks, which have lately increased (especially social risks) because of the military conflict and the high customer relations risks in Israel.

Exhibit 8

#### ESG issuer profile scores



Source: Moody's Investors Service

### Environmental

Bank Leumi faces moderate exposure to environmental risks, mainly because of its portfolio exposure to carbon transition risks as a diversified bank and one of Israel's two largest banks with a significant corporate exposure. In line with its peers, Bank Leumi faces growing business risks and stakeholder pressure to meet broader carbon transition goals. Bank Leumi is engaging in further developing its climate risk and relevant portfolio management capabilities and increasing its green financing.

### Social

Bank Leumi faces high social risks, related to societal and demographic trends as well as from customer relations. The current military conflict may cause a severe disruption of the economy and impact the bank's financial performance, depending on its duration and scale. However, a relatively young and growing population in Israel affords business opportunities for the bank. Further, Bank Leumi

faces high customer relations risk because of the considerable focus on consumer protection in Israel, exposing banks to potential fines from regulators and litigation from customers. High cyber and personal data risks are mitigated by a sound IT framework.

### Governance

Bank Leumi faces low governance risks, and its risk management, policies and procedures are in line with industry practices and commensurate with its universal banking model, while the bank provides timely and detailed external reporting. The bank's financial strategy is conservative, under the oversight of a proactive and hands-on regulator.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Support and structural considerations

### Government support considerations

Bank Leumi's A3 deposit ratings incorporate two notches of government support uplift from the bank's baa2 Adjusted BCA because of our expectation of a very high probability of support from the Israeli authorities, in case of need. This expectation is based on Bank Leumi's systemic importance as the country's largest banking group and the Israeli government's long standing practice of supporting systemically important banks in case of need.

### Counterparty Risk (CR) Assessment

#### Bank Leumi's CR Assessment is A2(cr)/P-1(cr)

Prior to government support, the CR Assessment is positioned one notch above the bank's baa2 Adjusted BCA, reflecting our view that its probability of default is lower than that of deposits. Senior obligations represented by the CR Assessment will be more likely preserved to limit contagion, minimise losses and avoid disruption of critical functions. The CR Assessment also benefits from government support uplift, in line with our support assumptions on deposits.

### Counterparty Risk Ratings (CRRs)

#### Bank Leumi's CRR is A2/P-1

For jurisdictions with a non-operational resolution regime, such as Israel, the starting point for the CRR is one notch above the bank's Adjusted BCA. The CRRs also benefit from two notches of government support uplift.

## Methodology and scorecard

### About Moody's Bank Scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

## Rating methodology and scorecard factors

Exhibit 9

Bank Leumi Le-Israel B.M.

<b>Macro Factors</b>							
<b>Weighted Macro Profile</b>		<b>Strong - 100%</b>					
<b>Factor</b>	<b>Historic Ratio</b>	<b>Initial Score</b>	<b>Expected Trend</b>	<b>Assigned Score</b>	<b>Key driver #1</b>	<b>Key driver #2</b>	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	1.0%	a2	↓↓	baa3	Sector concentration	Expected trend	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	11.6%	baa3	↔	baa3	Capital retention		
Profitability							
Net Income / Tangible Assets	0.9%	baa3	↓	ba1	Expected trend		
Combined Solvency Score		baa1		baa3			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	9.8%	a3	↔	baa1	Deposit quality		
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	37.7%	a3	↓	a3	Expected trend		
Combined Liquidity Score		a3		baa1			
Financial Profile							
Qualitative Adjustments				Adjustment			
Business Diversification				0			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				0			
Sovereign or Affiliate constraint				A2			
BCA Scorecard-indicated Outcome - Range				baa1 - baa3			
Assigned BCA				baa2			
Affiliate Support notching				0			
Adjusted BCA				baa2			
<b>Instrument Class</b>	<b>Loss Given Failure notching</b>	<b>Additional notching</b>	<b>Preliminary Rating Assessment</b>	<b>Government Support notching</b>	<b>Local Currency Rating</b>	<b>Foreign Currency Rating</b>	
Counterparty Risk Rating	1	0	baa1	2	A2	A2	
Counterparty Risk Assessment	1	0	baa1 (cr)	2	A2(cr)		
Deposits	0	0	baa2	2	A3	A3	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

## Ratings

Exhibit 10

Category	Moody's Rating
<b>BANK LEUMI LE-ISRAEL B.M.</b>	
Outlook	Negative
Counterparty Risk Rating	A2/P-1
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A2(cr)/P-1(cr)

Source: Moody's Investors Service

## Endnotes

- 1 Average is for the period in the run-up to the pandemic, 2006-2019. Credit costs increased to 0.9% in 2020, reflecting the impact of the pandemic.
- 2 For housing loans risks are mitigated by (1) banks' full recourse to borrowers and a strong repayment culture; (2) a low level of housing debt at around 30% of GDP as of September 2023; and (3) macroprudential measures that enforce tight underwriting standards and which include a loan-to-value limit of 75% for sole dwellings and 70% for the rest but for non-investment purposes, a monthly repayment cap at 50% of a borrower's monthly salary and a limit on the variable-rate part of the mortgage at two-thirds of the loan. Higher risk-weights for the calculation of regulatory capital metrics for mortgages with higher loan-to-value and repayment ratios also encourage tighter underwriting.
- 3 The regulatory definition of small businesses includes businesses with an annual turnover up to NIS50 million.
- 4 Bank Leumi reduced employee numbers by 15% over the period 2019-2022, as well as real estate footprint costs. The reduction in the employee numbers in 2022 includes employees of Leumi USA which was merged into Valley Bank in April 2022.
- 5 On 15 October 2023, the Bol set out a [comprehensive outline](#) to support bank customers during this period, which was later [expanded](#).

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