Bank Leumi (UK) plc

## Bank Leumi UK plc

# Pillar 3 Disclosures

**As at 31 December 2020**

## CONTENTS

# 1. OVERVIEW

## 1.1. PURPOSE AND SCOPE OF DISCLOSURE REQUIREMENTS

This document sets out the Pillar 3 disclosures on capital and risk management for Bank Leumi (UK) plc ("Leumi UK" or "the Bank").

This document fulfils the regulatory disclosure requirements of the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) referred to together as CRD IV, which came into effect on 1 January 2014. This regulatory framework is supplemented by a number of technical standards issued by the European Banking Authority (EBA), which have been adopted by Leumi UK where appropriate.

## 1.2. BASIS AND FREQUENCY OF DISCLOSURES

These disclosures are made based on the Banks' financial position and policies that were in place as at 31 December 2020.

This information will be updated on an annual basis, or where significant changes have been made that would materially affect the detail of these disclosures.

These disclosures are not subject to an external audit and have been produced solely for the purposes of satisfying the Pillar 3 regulatory requirements. Instead, the disclosures have been verified and approved through internal governance procedures in line with the Pillar 3 Disclosure Policy, including the review and approval of the disclosures by the Bank's Audit and Remuneration Committee and Board of Directors.

## 1.3. NON-MATERIAL, PROPRIETARY OR CONFIDENTIAL INFORMNATION

Article 432(3) of the CRR requires an institution to provide; (i) a statement of the specific items of information which are not disclosed, and; (ii) the reasons for non-disclosure.

Leumi UK's Pillar 3 disclosures as at 31 December 2020 do not include:

- Exposure to interest rate risk on positions not included in the trading book (Article 448 of the CRR) – none at the period-end (please refer to Table 4)
- Exposure to securitisation positions (Article 449 of the CRR) – Leumi UK does not undertake securitisation.

## 1.4. MEANS OF DISCLOSURES

These disclosures are published on the corporate website.

Additional relevant information can be found in the 2020 Annual Report.

# 2. LEGAL ENTITY OVERVIEW

These disclosures are made on a consolidated basis on behalf of Leumi UK, which is a UK incorporated company that is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority.

Leumi UK is a subsidiary of Bank Leumi Israel B.M. (BLITA), and is one of the overseas subsidiaries of the Bank Leumi Group. As at 31 December 2020, Bank Leumi Israel held 100% of the issued share capital of Leumi UK,

either directly or indirectly (Figure 1). Leumi UK has its Head Office in London. The Bank employs 155 staff in the UK, with the majority based in London. Leumi UK's Board was made up of one Executive Member and six non-executive members. The UK management team is headed by the CEO.

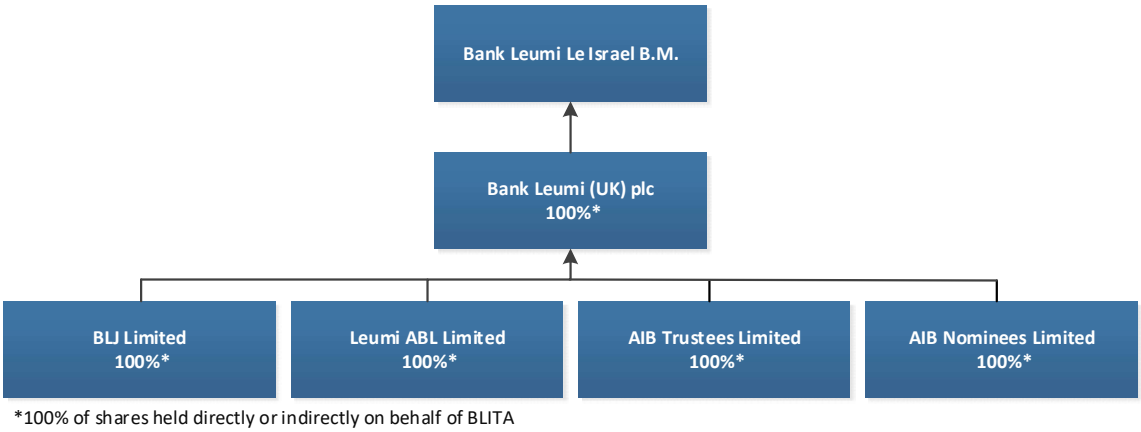


**Figure 1 Legal entity overview**

At the reporting date, Leumi UK owned 100% of the share capital of Leumi ABL Ltd, which operates as an invoice discounting and factoring company and is supervised by the FCA.

For accounting purposes the financial results of Leumi UK and its subsidiaries are consolidated on a full basis.

# 3. RISK MANAGEMENT FRAMEWORK

## 3.1. RISK MANAGEMENT OBJECTIVES

Leumi UK's approach to risk is aimed at ensuring that all significant risks are identified, assessed, mitigated, monitored and measured. Leumi UK's risk management is based on certain principles and objectives:

- To clearly apportion management of all risks to risk owners
- To separate risk management functions from risk monitoring functions
- To clearly identify reporting lines
- To align group related functions under the same reporting lines wherever possible to allow for efficiency and the cross-sharing of knowledge.

## 3.2. RISK STRUCTURE

To facilitate the risk management process, Leumi UK has an enterprise risk management framework (ERMF). Governance of the ERMF is supported by Leumi UK's committees (Figure 2).

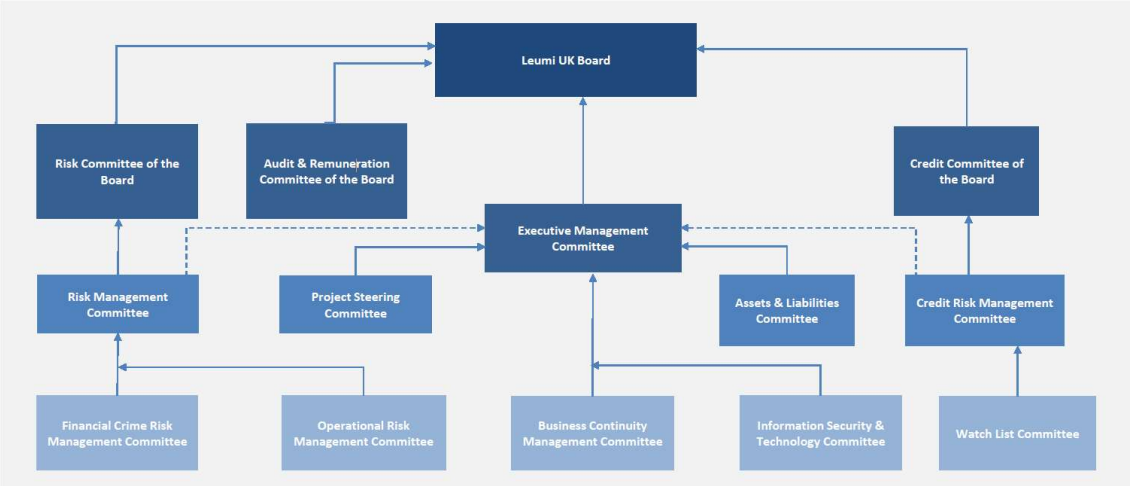


**Figure 2 Leumi UK's Committee Structure**

## 3.2.1 RISK COMMITTEE OF THE BOARD (RCOB)

The Risk Committee, under authority delegated by the Board, is responsible for ensuring that the Bank has robust risk management systems and controls and for monitoring the Bank's current and future exposure to risks. This will include examining areas of management responsibility, reporting and accountability.

The Risk Committee shall, on an annual basis, make recommendations to, and advise the Board on, the Bank's risk exposure policy, risk appetite, risk governance framework, capital & liquidity adequacy requirements, and the Recovery and Resolution Plan ('RRP'). The term risk appetite includes the categories and amount of risk that the Board regards as acceptable for the Bank to bear. The term risk governance framework includes policies, methodologies, systems, processes, procedures and people.

The Risk Committee further advises the Board on the Bank's risk management obligations imposed by the PRA, the FCA and any other relevant regulatory authority and advises, oversees and challenges as necessary in order to embed and maintain a supportive risk culture throughout the Bank.

## 3.2.2. BOARD CREDIT COMMITTEE

The Board Credit Committee is responsible for all Credit Risk Matters. Credit risk is managed through the credit risk appetite and by policies and detailed procedures which call for individual assessment of the credit quality of all counterparties, and a separate assessment of the quality of collateral held to mitigate the exposure. A credit grading system has been implemented and each individual rating is independently assessed before being agreed. Concentration risk is monitored by borrower concentration, industry sector and country.

## 3.2.4. RISK MANAGEMENT COMMITTEE (RMC)

The RMC has prime responsibility for the Leumi UK group's risk management structure and strategy. This includes the annual assessment of the Bank's risk appetite; the identification, management and apportionment of risk to relevant risk owners; and the review and agreement of the regular Group assessments of compliance, fraud and embezzlement, legal, operational, and financial risks, and approval of the resulting documentation prior to submission to the RCoB for approval. It will consider significant risk issues as escalated by the Chief Risk Officer.

### 3.2.5. CREDIT RISK MANAGEMENT COMMITTEE (CRMC)

The CRMC normally meets twice a week for sanctioning specific credit applications and to discuss wider credit risk issues.

The role of CRMC is to assess, manage and monitor credit risk and credit proposals across the Bank and, at the request of a Member, discuss and review any credit risk issues or problematic accounts affecting the Bank.

### 3.2.6. FINANCIAL CRIME RISK MANAGEMENT COMMITTEE

The FCRMC has responsibility for the oversight of the implementation, progress, efficiency and effectiveness of the Leumi UK Financial Crime Risk Management Framework, including relevant day-to-day activities relating to each of:

- Anti-Money Laundering (AML);
- Counter Terrorist Financing (CTF);
- Anti-Fraud;
- Anti-Bribery & Corruption (ABC), and;
- Sanctions

### 3.2.7. OPERATIONAL RISK MANAGEMENT COMMITTEE (ORMC)

The primary responsibility of the ORMC is to provide independent reporting of Operational Risk to Senior Management. As such, the main purpose of the Committee is to review all 'actual' Operational Risk Events (where an issue has crystallised and there is a financial/non-financial impact). Event details, root-cause, control failures, actions agreed will be discussed to allow ORMC members to raise any concerns which need to be addressed. Near-miss events will be reviewed at the ORMC if the Chairman deems relevant due to materiality of the near-miss event or upon request by any member of the ORMC.

### 3.2.8. RISK CONTROL DEPARTMENT

The Risk Control Department forms one of the Bank's second lines of defense functions and has three main areas of responsibility:

- Market Risk Management Oversight;
- Operational Risk Management Oversight, and;
- Facilitation of ICAAP/ILAAP/RRP processes.

The Risk Control Department remains responsible for monitoring that enterprise-wide risks are within Risk Appetite. It is also responsible for highlighting changes in risk profiles throughout the Bank that may become apparent from their monitoring duties, reported risk/loss events, audit findings or from external events that may affect or be relevant to the Bank.

### 3.2.9. COMPLIANCE

The Chief Risk Officer has oversight of risk and compliance issues in Leumi UK and its subsidiaries. Compliance takes a proactive approach to conduct compliance in an attempt to establish a compliance culture throughout the Bank. This is viewed as vital in relation to the regulatory approach of the FCA and PRA.

Compliance undertake monthly monitoring spot checks as part of their risk based approach monitoring plan. A monthly report of the findings is submitted to the RMC for discussion, and a quarterly report is submitted to the Risk Committee of the Board.

Compliance is also responsible for advising management on all changes to regulatory rules, and other legal issues such as data protection. Training sessions are regularly provided by Compliance.

#### 3.2.10. FINANCIAL CRIME

The Financial Crime Department, headed by the Chief Compliance Officer (CCO), is responsible for the managing the AML policy and procedures of the Bank. The department conducts independent monitoring & provides regular reports to both the RMC, and the Risk and Audit Committees.

#### 3.2.11. CREDIT RISK MANAGEMENT DEPARTMENT (CRMD)

CRMD is the second-line-of-defence for credit risk, which it independently monitors. The department acts independently of the business areas to ensure that credit risk within the Bank is being appropriately monitored and assessed, and remains within the Bank's risk appetite. It has responsibility to:

- ensure that the business areas properly assess, monitor, control and report all credit risk issues.
- provide independent analysis and challenge of all credit applications.
- maintain the validity and effectiveness of credit risk, appetite and policy.
- undertake its own independent assessment of applications for credit and report to the appropriate sanctioning authorities (this includes applications above certain thresholds for Leumi UK's subsidiaries).
- manage and oversee the Watch List and Sensitive Customer process.
- manage and report on all areas of concentration risk, in particular economic sector risk, country risk and large exposure risk.
- manage the credit grading system including the oversight of the inputting, analysing shifts in credit grade and maintaining the effectiveness and credibility of the system.
- provide the independent review of specific impairments by way of challenging the discounted cash flow assessments, particularly in relation to asset values and timeframes.

CRMD additionally contains the Bank's Intensive Care/Recoveries and the Loan Review functions, the latter being an independent, post approval, assessment of emerging credit risks.

## 3.3. RISK DOMAINS

### 3.3.1. CREDIT RISK

Leumi UK, in recognising the specific business areas that it provides finance to, acknowledges it operates in an inherently high risk environment and accordingly seeks to mitigate credit risk by ensuring that the risk is effectively structured, monitored, managed and controlled, thereby reducing the credit risk to a level of medium-to-low on a residual basis.

#### 3.3.1.1. CREDIT RISK APPETITE

Leumi UK seeks to manage its credit risk appetite through adherence to both quantitative and qualitative statements made in relation to the credit portfolio as a whole and its key lending sectors. In particular:

- Risk is always commensurate with reward and the Bank will use measures, including Risk Adjusted Return on Capital (RAROC), to ensure this is the case in respect of individual credits and portfolios of credit.
- Limits are applied to reflect the Bank's credit appetite for concentration risk.
- Risk tolerances are applied at a total portfolio and sector portfolio level using sector knowledge and the Bank's credit grading system.
- Attention limits/tolerances are established to facilitate early remedial action.
- The Bank identifies and grades both the inherent risk and residual risk in respect of its key lending sectors.
- The Bank establishes and maintains a credit policy to reflect its appetite to credit risk. Furthermore, it establishes and monitors a tolerance for lending that moves outside credit policy.

#### 3.3.1.2. CREDIT POLICY

Leumi UK has a detailed Credit Policy which sets out the business areas to which finance may be provided, the type of finance which should be provided and the nature of security that should be held. It also defines a range of acceptable lending parameters which are set to define the Bank's preferred metrics on a sector/product basis.

#### 3.3.1.3. CREDIT GRADING

Leumi UK employs a system which allocates Credit Grades to all borrowing customers and is an important component of Credit Policy. The Probability of Default (PD) element of each grade is calculated using a combination of expert judgement and quantitative criteria. Linked to this is a Collateral Co-efficient which represents the extent to which a facility is secured and the resultant LGD.

Responsibility for the design, maintenance, validation and interrogation of the Credit Grading system rests with the Credit Risk Management Department rather than the Business Lines, thus ensuring that the integrity and independence of the system is maintained.

#### 3.3.1.4. CREDIT RISK MITIGATION

In accordance with the Capital Requirements Directive, Leumi UK only recognises certain specified types of financial collateral for providing capital relief. This includes: cash held by the Bank; debt securities issued by central governments, central banks, institutions all of which are rated by a recognised external rating agency; equities or convertible bonds that are quoted on a regulated & main exchange; and gold bullion. Leumi UK utilises the "simple" method for credit risk mitigation purposes.

#### 3.3.1.5. LARGE EXPOSURES POLICY

The policy applies to exposures to non-bank customers, banks, Bank Leumi le-Israel Group, counterparties connected to the Bank, own-account investments, economic sectors and countries.

As the Bank reports to the regulator on both a solo consolidated basis and a consolidated basis, the policy applies to both the Bank and its subsidiary companies. The Capital Resources within the policy statement refers to either the solo consolidated or the consolidated entity, as appropriate.

#### 3.3.1.6. EXPOSURES TO CUSTOMERS

The Credit Committee must specifically ratify each of the exposures to individual borrowers or groups of related borrowers in excess of 10% of the Bank's Capital Resources.

Policy states that exposures will not exceed internal threshold of 17.5% of Tier 1 Capital Resources in respect of Single Borrowers and 20% of Capital resources in respect of Group Borrowers other than in exceptional circumstances meeting the criteria set out in the policy statement.

#### 3.3.1.7. EXPOSURES TO BANKS

Bank limits are formally reviewed by the Credit Risk Management Committee at least annually in consultation with the Parent Company's International Division and ratified by the Credit Committee. All exposures are under constant monitoring with regular discussions held with our Parent Company.

All exposures are constantly monitoring with regular discussions held with the Parent Company.

#### 3.3.1.8. MONITORING & REVIEW

All relevant personnel within the Bank are aware of the importance of monitoring exposures on a daily basis and of the significance of the Large Exposure Policy. These issues are set out clearly within the Bank's internal procedures.

All facilities, whether current or term, are reviewed at least annually and are submitted to the level of authority appropriate for the size of the facilities. In addition, CRMD reviews facilities in line with emerging trends (external or internal) that suggest risk is increasing. To control exposures on a group basis, procedures are in place requiring CRMD to independently review all exposures of the Bank's subsidiaries above £1m.

#### 3.3.1.9. COUNTRY EXPOSURE POLICY

When determining the country to which an exposure is to be allocated, the key criterion is an assessment of where the ultimate Credit Risk lies, rather than the nationality or domicile of the borrower.

The Bank may incur Country Risk by undertaking the following types of business in all countries for which an appropriate Country Limit is marked:

- Direct lending to customers
- Provision of trade finance facilities
- Lending to, or against the guarantee of, other banks and financial institutions
- Purchase of corporate and sovereign risk for the Bank's own account.

#### 3.3.1.10. COUNTRY EXPOSURE LIMITS

Country Limits are discussed and approved by the CRMC and submitted to the Board Credit Committee for ratification. All limits are reviewed annually and more frequently whenever prudential considerations dictate. All Bank lines are coordinated with BLITA and their approval obtained prior to marking any limit.

#### 3.3.1.11. MONITORING AND CONTROLLING COUNTRY EXPOSURE

A report detailing total credit risk analysed by country and by type of risk is produced on a quarterly basis and presented to the Credit Risk Management Committee and to the Board Credit Committee. Where there are concerns relating to any particular country or region, relevant exposures are monitored more frequently.

#### 3.3.1.12. EXTERNAL CREDIT ASSESSMENTS

In accordance with CRR Article 444, Leumi UK makes use of external credit assessments provided by Standard & Poor (S&P) which is recognised by the regulator as an eligible external credit assessment institution (ECAI) for the purpose of calculating credit risk requirements under the standardised approach.

### 3.3.2. LEGAL RISK

The Bank has established a Legal and Company Secretariat Department (Legal & Cosec) which incorporates two functions:

1. a legal function comprising in-house legal counsel and a trainee solicitor; and
2. a company secretarial function, composed of the same personnel.

The Head of Legal & Cosec is Leumi UK's General Counsel and the principal legal risk officer of Leumi UK (excluding its subsidiaries) and acts on the CEO's authority. He is responsible for ensuring that Leumi UK complies with all appropriate laws in the conduct of its business and reports legal and documentation risk primarily through RMC by way of a formal report to committee and attends both Board and Management Committee meetings.

### 3.3.3. LIQUIDITY RISK

The Bank must be capable of meeting its obligations or liabilities as they fall due. The Bank must provide appropriate liquidity to meet its obligations or liabilities on a usual business day and also at times when markets are stressed or other adverse circumstances could give the bank a greater risk of meeting an unusual level of obligations.

The Bank's obligations mainly consist of call deposits, Notice deposits, Term deposits, Current accounts and commitments to lend.

This capacity is maintained in the following ways:

- By holding sufficient cash or liquid assets subject to the qualification that marketable assets vary in price;
- By securing an appropriately matching future profile of cash flow from maturing assets, subject to the qualification that there may be shortfalls in practice if borrowers are unable to repay;
- By maintaining an adequately diversified deposit base in terms of maturities, range of counterparties and concentration;
- By updating statistical measurements of new business and changes to existing business, including monitoring behavioural changes; and
- By adjusting the price of funds.

#### 3.3.3.1. MONITORING AND MANAGEMENT

The ALCO is responsible for ensuring compliance with the Liquidity Risk Management Policy and for liquidity management generally and in a crisis situation.

Finance Department monitors the Liquidity position, and a management report is produced on a daily basis and reported to the Financial Controller, Treasury Department and the Chief Operating Officer. The report is discussed at the ALCO, along with other cash management related information, including some projections of

the effects of known movements of funds on liquidity. If there is any large movement which would mean a significant shift in the liquidity position, an ALCO meeting is called.

## 3.3.4. MARKET RISK

### 3.3.4.1. MARKET RISK APPETITE

Leumi UK seeks to engage in activities with only limited market risk exposure. Leumi UK will only engage in transactions and instruments which would have a limited detrimental effect upon the profit and loss of the Bank's treasury area. The Bank will not enter into new products or markets without fully considering the market risks.

The types of derivative in which the Bank will trade are limited to F/X options and interest rate/currency swaps. The Bank's activity in these types of transactions is low in volume.

### 3.3.4.2. INTEREST RATE RISK POLICY

The Bank manages interest rate risk in two ways:

1. Limiting an overall loss due to an unexpected pre-set percentile change in the yield curve to an agreed percentage of the Bank's capital base (known as the 'hard limit').
2. Monitoring and measuring interest rate risk by slotting assets/liabilities into individual time bands and setting limits against those time-bands. These limits represent a mismatch of positions which are considered acceptable risk within the total size of the book (known as the 'soft limits').

Status reports are submitted to the ALCO for review. In the case of the first hard limit, where the limit is broken it is reported to the Board. The second limit for mismatched positions is classified as a soft limit where any breaches are dealt with by the ALCO, since individual mismatch position breaches would only give rise to a minimal loss which would fall within the overall maximum loss as defined in 1 above.

### 3.3.4.3. CURRENCY RISK

Currency risk is that arising from fluctuations in exchange rates which may result in losses from business activities or operations in foreign markets or investment in securities issued by overseas entities/denominated in a foreign currency. It also arises from proprietary currency trading positions taken by the Dealers.

Currency exposures are monitored daily by the Head of Treasury and Global Markets, the Financial Controller and the Chief Operating Officer. Exposure limits are set for individual counterparties and within exposure limits set for each currency as well as the overall net open position.

## 3.3.5. OPERATIONAL RISK

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

Operational Risk arises from the potential for key system failures, breaches of internal controls or from external events resulting in financial loss or reputational damage.

The group has an operational risk management framework in place that includes a risk appetite and risk measures, which are approved by the Board.

### 3.3.6. CAPITAL RISK

The Bank defines capital as that part of the liability side of its balance sheet that has the capacity to absorb losses. Capital Risk is the risk that the Bank's capital value may lose its value below the Bank's risk appetite and minimum regulatory requirements.

The Bank's capital adequacy position is measured regularly against the regulatory requirement, which is the Total Capital Requirement (TCR). In addition a capital buffer is maintained to ensure that a comfortable margin is maintained at all times to meet growth and any sudden variations including stressed conditions.

To ensure that the Bank continues to maintain sufficient capital, as part of the on-going ICAAP, the Bank's three-year plan is modelled to assimilate the capital requirement that would result from the projections within the plan being met. The plan and the resulting capital requirement are then stressed to ascertain the effect of the business plan projections being exceeded.

Leumi UK uses stress tests to ascertain the effects of adverse business scenarios on capital including:

- a macroeconomic scenario premised on the Bank of England stress testing framework
- the Bank's own stress testing methodology.

In addition to stress testing, the Bank performs reverse stress testing and sensitivity tests.

### 3.3.7. MODEL RISK

Model Risk is the potential loss the Bank may incur, as a consequence of decisions that could be principally based on the output of models, due to errors in the development, implementation or use of such models (CRD IV, Article 3.1.11).

### 3.3.8. CLIMATE CHANGE

The Bank is aware of the potential impact of climate change to its customers and its lending portfolio. It appointed the Bank's Chief Risk Officer as the senior manager responsible for managing climate change financial risk. The Bank also established an initial climate change risk framework and has tightened its credit risk appetite to exclude a number of climate change related risks including:

- Direct lending to entities involved in the production of energy from fossil fuels.
- Project finance facilities to the oil industry.

During the year the Bank commenced its exit from Commodity Trade Finance activity which represented the single largest sectoral contributor from Leumi UK financed entities to climate change risk. The Bank also improved its carbon footprint through its move to new office space in Angel Court in January 2021.

# 4. REGULATORY OWN FUNDS

Regulatory capital is categorised as either Tier 1 or Tier 2 depending on the characteristics of the capital items. Certain capital deductions and regulatory adjustments are made against these capital items reflecting the different regulatory treatment for capital adequacy purposes.

## 4.1. RECONCILIATION BETWEEN OWN FUNDS AND AUDITED FINANCIAL STATEMENTS

| As at 31 December 2020<br>Amounts in £000's | Per Financial Statements | Adjustments to Balance Sheet | Notes | Under regulatory scope of consolidation |
|---|---|---|---|---|
| Tier 1 Capital | | | | |
| Paid-in share capital | 78,060 | | | 78,060 |
| Retained earnings brought forward | 145,625 | (60) | 1 | 145,565 |
| Loss for the year | (3,959) | 2,818 | 2 | (1,141) |
| Fair Value through other comprehensive income reserve | 47 | | | 47 |
| Pension Deficit | (4,516) | | | (4,516) |
| Regulatory adjustments | | 3,783 | 3 | 3,783 |
| Total Tier 1 Capital | 215,257 | 6,541 | | 221,798 |
| | | | | |
| Tier 2 Capital | | | | |
| Subordinated liabilities | 53,510 | (44) | 4 | 53,466 |
| Total Tier 2 Capital | 53,510 | (44) | | 53,466 |
| Total shareholder's equity | 268,767 | | | 275,264 |

Notes:
1 Scope of regulation is Solo consolidated compared with Group consolidated per the Financial Statements.
2 Loss for the year is for Solo consolidated only and excludes late adjustments included in the Financial Statements.
3 IFRS9 Add Back and Prudential Valuation Adjustment.
4 Accrued Interest excluded from regulatory capital.

**Table 1 Statutory to regulatory capital reconciliation – per CRR Article 437**

## 4.2. COMPOSITION OF REGULATORY CAPITAL

The table below summarises the composition of regulatory capital as at 31 December 2020.

| As at 31 December 2020<br>Amounts in £000's | |
|---|---|
| Core Tier 1 Capital | |
| Called up ordinary share capital | 14,324 |
| Share Premium account | 63,736 |
| Available for Sale Reserve | 47 |
| Interim net Profit (Loss) | (1,141) |
| Pension Deficit | (4,516) |
| Profit & Loss reserve | 145,565 |
| Total Core Tier 1 Capital | 218,015 |
| | |
| Deductions from Core Tier 1 Capital | |
| Deferred Tax Asset | - |
| Defined Benefit Asset | - |
| Goodwill on acquisition | - |
| Prudential Valuation Adjustment | (23) |
| IFRS 9 add back | 3,806 |
| Total Core Tier 1 Capital after deductions | 221,798 |
| | |
| Tier 2 Capital | |
| Perpetual subordinated debt | 8,000 |
| Dated subordinated debt | 45,466 |
| Collective provision | - |
| Total Tier 2 Capital | 53,466 |
| Total Regulatory Capital | 275,264 |

**Table 2 Composition of regulatory capital**

The composition of Leumi UK's regulatory capital is shown in Table 2 and the own funds disclosure template as required in Commission Implementing Regulation (EU) No 1423/2013 is presented in **Appendix I**.

## 4.3. CAPITAL RESOURCES – TIER 2

The table below provides a breakdown of the components of Tier 2 Capital as at 31 December 2020.

| Tier 2 Capital | Interest Rate | Interest Fixing | £000's |
|---|---|---|---|
| Undated perpetual subordinated debt | 4.041% | 3 monthly | 3,000 |
| Undated perpetual subordinated debt | 0.946% | 3 monthly | 5,000 |
| Notice subordinated debt | 0.796% | 3 monthly | 3,578 |
| Notice subordinated debt | 0.671% | 3 monthly | 1,249 |
| Notice subordinated debt | 0.546% | 3 monthly | 30,639 |
| Notice subordinated debt | 0.545% | 3 monthly | 7,500 |
| Notice subordinated debt | 3.048% | 3 monthly | 2,500 |
| Total Tier 2 Capital | | | 53,466 |

**Table 3 Subordinated liabilities**

Additional information on subordinated liabilities is found in Note 24 of the 2020 Annual Report.

## 5. CAPITAL RESOURCES REQUIREMENTS

Leumi UK has adopted the standardised approach for assessing the capital requirement for credit risk (in accordance with Article 112 of the CRR), and the basic indicator approach for operational risk (Article 315 of the CRR).

The total Pillar 1 capital requirement is calculated as the total of the credit risk, market risk and operational risk requirements as set out in CRD IV. The table below summarises Leumi UK's Pillar 1 capital resource requirement.

| Capital requirement as at 31 December 2020 | £000's |
|---|---|
| Credit Risk - Standardised Approach | |
| Central governments/central banks | - |
| Regional governments or local authorities | - |
| Administrative bodies and non-commercial undertakings | - |
| Multilateral development banks | - |
| International organisations | - |
| Institutions | 475 |
| Corporates | 33,749 |
| Retail | - |
| Secured by immovable property mortgages | 36,337 |
| Exposures in default | 538 |
| Items with particularly high risk | 10,142 |
| Covered bonds | - |
| Securitisation positions | - |
| Claims on institutions & corporate with CR assessment | 1,431 |
| CIUs | - |
| Other items | 836 |
| Total Credit Risk Requirement | 83,508 |
| Credit Value Adjustment risk | 5 |
| Operational Risk - Basic indicator approach | 7,736 |
| Trading book | |
| Interest rate PRR | - |
| Equity PRR | - |
| Option PRR | - |
| Counterparty risk capital component | - |
| Concentration risk component | - |
| Commodity PRR | - |
| Foreign currency PRR | 91 |
| Total Trading Book | 91 |
| Total capital requirement | 91,340 |

**Table 4 Capital resources requirements**

## 5.1. COUNTERPARTY CREDIT RISK

Bank uses derivative instruments to hedge its exposure to market risk, for example, foreign exchange and interest rate risk. Counterparty credit risk is the risk that one of the counterparties to a derivative instrument that the Bank holds could default. The risk is mitigated by offsetting the amounts due to the same counterparties ('netting benefits').

Counterparty credit risk for the Bank is minimal representing less than 0.01% of the total Pillar 1 capital requirement. Therefore on the grounds of materiality, no further detail will be provided on this risk.

## 5.2. LEVERAGE RATIO

CRD IV requires firms to calculate a non-risk based Leverage Ratio, to supplement risk-based capital requirements. The leverage ratio measures the relationship between the capital resources of the organisation and its total assets. The purpose of monitoring and managing this metric is to enable Regulators to constrain the build-up of excessive leverage.

Leumi UK reports Leverage through the EBA's COREP reporting.

As at 31 December 2020 Leumi UK's leverage ratio was 15.87%. The leverage disclosure templates required by Commission Implementing Regulation (EU) No 2016/200 are presented in Appendix II.

## 5.3. CREDIT RISK

Credit risk is the exposure to loss arising from a counterparty's failure to meet its contractual obligations, either as a result of business failure or intentional withholding of amounts due.

Leumi UK is exposed to credit risk in relation to its loans and advances to customers, cash held on deposit with banks, cash held on deposit with central banks, investments, trade and other receivables.

Leumi UK calculates credit risk for exposure on its loans and advances under the standardised approach per Title II, Chapter 2, and Section 3 of the CRR.

In addition, for the purposes of calculating non-retail credit risk requirements under the standardised approach, the group uses Standard & Poor (S&P) as its external credit assessment institute (ECAI).

The external rating is mapped to the prescribed credit quality assessment scale that in turn produces standard risk weightings.

Details of Leumi UK's credit risk exposures are provided in Appendix V.

| All amounts in £000's | Cash collateral | Securities collateral | Guarantees | Total |
|---|---|---|---|---|
| Central governments/central banks | - | - | - | - |
| Institutions | - | - | - | - |
| Corporates | 8,212 | | 1,000 | 9,212 |
| Secured by immovable property mortgages | - | - | - | - |
| Exposures in default | - | - | - | - |
| Short term claims on institutions and corporates | - | - | - | - |
| Items with particularly high risk | - | - | - | - |
| Multilateral development banks | - | - | - | - |
| Other items | - | - | - | - |
| Total | 8,212 | | 1,000 | 9,212 |

**Table 5 Credit risk mitigation**

## 5.4. MARKET RISK

Leumi UK uses the maturity approach for general market risk. Market risk is mainly due to foreign exchange position risk which arises as a result of movements in relative currencies.

| Capital Requirement £000's | Trading book | All activities |
|---|---|---|
| Interest rate risk | - | - |
| Equity position risk | - | - |
| Option position risk | - | - |
| Collective investment position risk | - | - |
| Counterparty risk capital component position risk | - | - |
| Concentration risk capital component | - | - |
| Component position risk | - | - |
| Foreign currency position risk | 91 | 91 |
| Commodity position risk | - | - |
| Total | 91 | 91 |

**Table 6 Market risk requirement**

## 5.5. OPERATIONAL RISK

Leumi UK has adopted the standardised approach for calculating the Pillar 1 capital requirements for operational risk. Under the standardised approach institutions divide their activities into certain business lines, each with a relevant beta factor. The average gross revenues, over the past three years, for each business line is then multiplied by the relevant beta factor to give an operational risk capital requirement.

The calculation of the operational risk capital requirement is shown in Table 7.

| All amounts in £000's | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net interest income | 38,246 | 42,541 | 40,036 |
| Non-interest income | 9,775 | 11,546 | 12,576 |
| Operating income | 48,021 | 54,087 | 52,612 |
| 3-year average | 51,573 | | |
| Operational risk capital requirement | 7,736 | | |

**Table 7 Operational risk capital requirement**

### 5.6. PENSION OBLIGATION RISK

Pension obligation risk is assessed through the use of stress tests which consider the impact of possible alternative assumptions on the valuation of the Scheme liabilities as well as consideration of stresses on asset values. Stress tests are performed in line with the PRA Statement of Policy 'The PRA's methodologies for setting Pillar 2 capital' and reported in the Internal Capital Adequacy Assessment Process (ICAAP). The pension obligation risk capital requirement is an add-on to the Leumi UK's minimum capital requirement.

## 6. LIQUIDITY RISK

Liquidity risk is the risk that the Bank encounters difficulty in realising assets or otherwise raising funds to meet commitments associated with liabilities or financial obligations. Leumi UK is in compliance with PRA requirements relating to the management of liquidity by way of its Liquidity Risk Management and Liquidity Stress Testing Policies, and the Bank's Contingency Funding Plan.

Quantitative assessments of liquidity resources are undertaken through the Internal Liquidity Adequacy Assessment Process (ILAAP).

### 6.1. LIQUIDITY COVERAGE RATIO

Table 8 shows the LCR values calculated as the simple averages of month-end observations over the twelve months preceding the end of each quarter.

| (£ 000's) | | Total Weighted Value (Average) | | | |
|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 |
| 21 | Liquidity Buffer | 148,049 | 145,517 | 143,891 | 159,190 |
| 22 | Total Net Cash Outflows | 58,144 | 58,003 | 60,873 | 66,741 |
| 23 | Liquidity Coverage Ratio (%) | 255% | 252% | 243% | 243% |

**Table 8 Quarterly LCR**

## 7. OTHER RISKS

### 7.1. ASSET ENCUMBRANCE

An asset should be treated as encumbered if it has been pledged or is subject to any form of arrangement to secure, collateralise or credit-enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn. Assets pledged that are subject to any restrictions in withdrawal, such as assets

that require prior approval before withdrawal or replacement by other assets, should be considered encumbered.

Details of Leumi UK's disclosure on asset encumbrance as at 31 December 2020 are provided in the Appendix IV.

## 8. REMUNERATION DISCLOSURES

These remuneration disclosures are based on Leumi UK's financial year end, as at 31 December 2020. This information will be updated on an annual basis, or where significant changes have been made that would materially affect the detail of this disclosure.

Scope of application

Based on the Bank's profile, we have defined ourselves as a Proportionality 'Level Three' firm and adopted a proportionate approach to our remuneration policy. We have considered our individual needs on an ongoing basis and where appropriate we did not apply certain disclosure provisions in accordance with the UK regulators and the EBA guidance.

Approach to Remuneration

The Audit and Remuneration Committee is kept informed of developments associated with the FCA's and PRA's Remuneration Code.

None of Leumi UK's employees are permitted to participate in the discussions or decisions of the Audit and Remuneration Committee relating to his or her own remuneration.

The Role of the Relevant Stakeholders

The individual members of the Audit and Remuneration Committee have met regularly with senior management during the year to discuss the Bank's remuneration policy. The Audit and Remuneration Committee met eight times during the 2020 financial year.

Quarterly reports are presented to the Audit and Remuneration Committee on business related compliance and risk issues. These are produced by the Compliance, the MLRO and Internal Audit.

The process for determining remuneration involves the Audit and Remuneration Committee, Executive Management, Human Resources, Risk Control & Compliance and the heads of departments.

Code Staff Criteria

The following groups of employees have been identified in meeting the criteria for Code Staff:

- Members of the Bank's Executive Committees (which includes the Executive Directors);
- Employees performing Significant Influence Functions;
- Senior Managers who are Heads of relevant departments such as Risk & Compliance, Audit, Legal, Credit, Human Resources, Property, Commercial & Commodity Finance, Dealing Room, Premier Banking & Liabilities, International Banking Services; and
- Non-Executive Directors.

Design and structure of the remuneration system

Leumi UK's remuneration policy is designed to promote and encourage behaviours and performance which successfully align with the Bank's business strategy and success.

Leumi UK's employees' remuneration package is made up of fixed pay (salary and benefits) and discretionary variable pay (bonus payments).

The main aspects of the remuneration framework are set out below.

Basic Salary

Basic salary is influenced by market rates and trends. Salaries are reviewed annually to ensure they remain competitive.

Annual Bonus

The Bank has applied the following in relation to annual bonus plan:

- The Annual Bonus Plan is based on financial and non-financial performance;
- If the Bank's performance is below a threshold performance level the bonus will be nil;
- Above a predetermined level, a proportion of the bonus will be deferred;
- Performance Indicators for bonus comprise financial and non-financial measures:
  - Pre-tax bonus profit drives the funding of the bonus pool;
  - Poorly rated risk management, internal controls, regulatory and procedural compliance and loan reviews can reduce the bonus pool and the value of deferred bonus towards zero;
- The Annual Bonus Plan is managed within an independent corporate governance framework – The Audit & Remuneration Committee of the Board is responsible for ultimate oversight.

The Bank does not offer any multi-year guarantees as this is not considered to align with the overall policy of remunerating based on performance.

Aggregate Quantitative Remuneration Disclosure – financial year ended 31 December 2020

The Bank is required to disclose aggregate quantitative remuneration information for its Code Staff in the year ending 31 December 2020. As at 31 December 2020, there were 38 Code Staff identified by the Bank.

Aggregate remuneration is made up of total fixed and variable remuneration awarded in respect of the 2020 performance year.

| Function | Amount | Number of staff |
|---|---:|---:|
| Corporate Finance | £709,084 | 6 |
| Finance & Operations | £1,366,164 | 12 |
| Other & Control Functions | £2,503,853 | 20 |
| Total | £4,579,101 | 38 |

**Table 9 Remuneration by Function**

Amounts and form of fixed and variable remuneration

Total fixed remuneration paid in the financial year ended 31 December 2020 includes basic salary and benefits, including employer pension contributions, car allowance and Private Healthcare provision.

The total variable remuneration payable in respect of the financial year ended 31 December 2020 consists of cash bonus payments.

The table below is split into "Senior Management" (employees) and "Other Code Staff" (employees).

"Senior Management" includes:

- Members of the Bank's Executive Committees (which includes the Executive Directors)
- Non-Executive Directors

"Other Code Staff" includes:

- Employees performing Significant Influence Functions;
- Senior Managers who are Heads of relevant departments such as Risk & Compliance, Audit, Legal, Credit, Human Resources, Property, Commercial & Commodity Finance, Treasury and Global Markets, Private Banking, International Banking Services.

| | Fixed | Variable | Total Remuneration | Number of Staff |
|---|---|---|---|---|
| Senior Management | £1,176,547 | £515,033 | £1,691,580 | 15 |
| Other Code Staff | £2,426,120 | £461,400 | £2,887,520 | 23 |
| Total | £3,602,668 | £976,433 | £4,579,101 | 38 |

**Table 10 Fixed and variable remuneration**

## 8.1. BOARD DIRECTORSHIPS

In addition to their roles held within Leumi UK Group the external directorships held by the Directors who were on the Board as at 31 December 2020 are listed in Table 11.

| Name | Directorships*/ Partnerships |
|---|---|
| Jean Stevenson | - |
| Michael Green | 1 |
| Nicholas Treble | 4 |
| Shmulik Arbel | - |
| Robert Levy | 3 |
| Michael Schiller | - |
| *Number of Directorships excludes the Company and its subsidiary and counts external directorships held within the same group of companies as a single directorship. It excludes Directorships of non-commercial organisations. | |

**Table 11 Board Directorships**

## APPENDIX I – OWN FUNDS TEMPLATE

| Common Equity Tier 1 capital: instruments and reserves | | 2020 £m | REGULATION (EU) No 575/2013 ARTICLE REFERENCE |
|---|---|---|---|
| 1 | Capital instruments and the related share premium accounts | 78.06 | 26 (1), 27, 28, 29, EBA list 26 (3) |
| 2 | Retained earnings | 144.42 | 26 (1) (c) |
| 3 | Accumulated other comprehensive income (and any other reserves) | (4.47) | 26 (1) |
| 3a | Funds for general banking risk | 0.00 | 26 (1) (f) |
| 6 | Common Equity Tier 1 (CET1) capital before regulatory adjustments | 218.01 | |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments | | | |
| 9 | Adjustments to CET1 due to prudential filters | (0.02) | |
| 17 | Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) | 0.00 | 36 (1) (g), 44, 472 (9) |
| 20 | Other transitional adjustments to CET1 Capital | 3.81 | |
| 29 | Common Equity Tier 1 (CET1) capital | 221.80 | |
| Additional Tier 1 (AT1) capital: instruments | | | |
| 36 | Additional Tier 1 (AT1) capital before regulatory adjustments | 0.00 | |
| Additional Tier 1 (AT1) capital: regulatory adjustments | | | |
| 44 | Additional Tier 1 (AT1) capital | 0.00 | |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 221.80 | |
| Tier 2 (T2) capital: instruments and provisions | | | |
| 46 | Capital instruments and the related share premium accounts | 53.47 | 62, 63 |
| 50 | Credit risk adjustments | 0.00 | 62 (c) & (d) |
| 51 | Tier 2 (T2) capital before regulatory adjustment | 53.47 | |
| Tier 2 (T2) capital: regulatory adjustments | | | |
| 58 | Tier 2 (T2) capital | | |
| 59 | Total capital (TC = T1 + T2) | 275.26 | |
| 60 | Total risk-weighted assets | 1,141.75 | |
| Capital ratios and buffers | | | |
| 61 | Common Equity Tier 1 (as a percentage of total risk exposure amount | 19.43% | 92 (2) (a), 465 |
| 62 | Tier 1 (as a percentage of total risk exposure amount | 19.43% | 92 (2) (b), 465 |
| 63 | Total capital (as a percentage of total risk exposure amount | 24.11% | 92 (2) (c) |
| 64 | Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount) | 2.89% | CRD 128, 129, 140 |
| 65 | of which: capital conservation buffer requirement | 2.50% | |
| 66 | of which: countercyclical buffer requirement | 0.00% | |
| Amounts below the thresholds for deduction (before risk-weighting) | | | |
| 75 | Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) | 2.98 | 36 (1) (c), 38, 48, 470, 472 (5) |
| Applicable caps on the inclusion of provisions in Tier 2 | | | |
| 76 | Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap) | 0.00 | 62 |

**Table 12 Own funds template per EU regulation No. 1423/2013**

| Capital instruments' main features template ([1]) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Issuer | Bank Leumi Le -Israel B.M. | Bank Leumi Le - Israel B.M. | Bank Leumi Le - Israel B.M. | Bank Leumi Le - Israel B.M. | Bank Leumi Le - Israel B.M. | Bank Leumi Le - Israel B.M. | Bank Leumi Le - Israel B.M. | Bank Leumi Le - Israel B.M. |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| 3 | Governing law(s) of the instrument | English | English | English | English | English | English | English | English |
| | Regulatory treatment | | | | | | | | |
| 4 | Transitional CRR rules | Common equity tier 1 | Tier 2 | Tier 2 | Tier 2 | Tier 2 | Tier 2 | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Common equity tier 1 | Eligible | Eligible | Eligible | Eligible | Eligible | Eligible | Eligible |
| 6 | Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated | Solo & Consolidated | Solo & Consolidated | Solo & Consolidated | Solo & Consolidated | Solo & Consolidated | Solo & Consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type (types to be specified by each jurisdiction) | Tier 1 as published in Regulation (EU) No 575/2013 article 50 | Tier 2 as published in Regulation (EU) No 575/2013 article 63 | Tier 2 as published in Regulation (EU) No 575/2013 article 63 | Tier 2 as published in Regulation (EU) No 575/2013 article 63 | Tier 2 as published in Regulation (EU) No 575/2013 article 63 | Tier 2 as published in Regulation (EU) No 575/2013 article 63 | Tier 2 as published in Regulation (EU) No 575/2013 article 63 | Tier 2 as published in Regulation (EU) No 575/2013 article 63 |
| 8 | Amount recognised in regulatory capital (currency in million, as of most recent reporting date) | GBP 78.1m | GBP 5m | GBP 3m | GBP 3.6m | GBP 1.2m | GBP 30.6m | GBP 7.5m | GBP 2.5m |
| 9 | Nominal amount of instrument | GBP 14.3m | GBP 5m | GBP 3m | GBP 3.6m | GBP 1.2m | GBP 30.6m | GBP 7.5m | GBP 2.5m |
| 9a | Issue price | £1each | 100 per cent | 100 per cent | 100 per cent | 100 per cent | 100 per cent | 100 per cent | 100 per cent |
| 9b | Redemption price | Non- redeemable | 100 per cent of Nominal amount | 100 per cent of Nominal amount | 100 per cent of Nominal amount | 100 per cent of Nominal amount | 100 per cent of Nominal amount | 100 per cent of Nominal amount | 100 per cent of Nominal amount |
| 10 | Accounting classification | Shareholder's equity | Liability - amortised cost | Liability - amortised cost | Liability - amortised cost | Liability - amortised cost | Liability - amortised cost | Liability - amortised cost | Liability - amortised cost |
| 11 | Original date of issuance | Various | 16 April 2008 | 22 December 2008 | 20 December 1991 | 31 December 1991 | 20 December 2006 | 18 October 2007 | 16 April 2008 |
| 12 | Perpetual or dated | Perpetual | Perpetual | Perpetual | Dated | Dated | Dated | Dated | Dated |
| 13 | Original maturity date | No maturity | No maturity | No maturity | No maturity | No maturity | No maturity | No maturity | No maturity |
| 14 | Issuer call subject to prior supervisory approval | N/A | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | N/A | N/A | N/A | 5 years notice | 5 years notice | 5 years notice | 5 years notice | 5 years notice |
| 16 | Subsequent call dates, if applicable | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Coupons / dividends | | | | | | | | |
| 17 | Fixed or floating dividend/coupon | N/A | Floating | Floating | Floating | Floating | Floating | Floating | Floating |
| 18 | Coupon rate and any related index | N/A | 3 months Libor+ margin | 3 months Libor+ margin | 3 months Libor+ margin | 3 months Libor+ margin | 3 months Libor+ margin | 3 months Libor+ margin | 3 months Libor+ margin |
| 19 | Existence of a dividend stopper | Yes | No | No | No | No | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing | Fully discretionary | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Fully discretionary | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | No | No | No | No | No | No | No | No |
| 22 | Noncumulative or cumulative | N/A | Cumulative | Cumulative | Cumulative | Cumulative | Cumulative | Cumulative | Cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible, conversion trigger (s) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 25 | If convertible, fully or partially | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 26 | If convertible, conversion rate | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 27 | If convertible, mandatory or optional conversion | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 28 | If convertible, specify instrument type convertible into | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 29 | If convertible, specify issuer of instrument it converts into | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 30 | Write-down features | No | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 31 | If write-down, write-down trigger (s) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 32 | If write-down, full or partial | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 33 | If write-down, permanent or temporary | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 34 | If temporary write-down, description of write-up mechanism | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Most junior | Subordinated to the rights of senior creditors | Subordinated to the rights of senior creditors | Subordinated to the rights of senior creditors | Subordinated to the rights of senior creditors | Subordinated to the rights of senior creditors | Subordinated to the rights of senior creditors | Subordinated to the rights of senior creditors |
| 36 | Non-compliant transitioned features | No | No | No | No | No | No | No | No |
| 37 | If yes, specify non-compliant features | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| (1) 'N/A' inserted if the question is not applicable | | | | | | | | | |

**Table 13 Capital instruments. Disclosure according to Annex II of Commission implementing regulation (EU) No. 1423/2013.**

## APPENDIX II – LEVERAGE RATIO

Summary reconciliation of accounting assets and leverage ratio exposure

| | Item | Amounts £m |
|---|---|---|
| 1 | Total consolidated assets as per published financial statements | 1,306 |
| 2 | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | - |
| 3 | Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure | - |
| 4 | Adjustments for derivative financial instruments | 5 |
| 5 | Adjustment for securities financing transactions (i.e. repos and similar secured lending) | - |
| 6 | Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) | 84 |
| 7 | Other adjustments | - |
| 8 | Leverage ratio exposure | 1,395 |

**Table 14 Leverage ratio, summary reconciliation**

| | Item | £m |
|---|---|---|
| On-balance sheet exposures | | |
| 1 | On-balance sheet items (excluding derivatives and SFTs, but including collateral) | 1,305 |
| 2 | Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts) | - |
| 3 | Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2) | 1,305 |
| Derivative exposures | | |
| 4 | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | 4 |
| 5 | Add-on amounts for PFE associated with all derivatives transactions | 5 |
| 6 | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework | - |
| 7 | Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions (reported as negative amounts) | - |
| 8 | Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts) | - |
| 9 | Adjusted effective notional amount of written credit derivatives | - |
| 10 | Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts) | - |
| 11 | Total derivative exposures (sum of lines 4 to 10) | 9 |
| Securities financing transaction exposures | | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | - |
| 13 | Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts) | - |
| 14 | CCR exposure for SFT assets | - |
| 15 | Agent transaction exposures | - |
| 16 | Total securities financing transaction exposures (sum of lines 12 to 15) | - |
| Other off-balance sheet exposures | | |
| 17 | Off-balance sheet exposure at gross notional amount | 284 |
| 18 | Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts) | (200) |
| 19 | Off-balance sheet items (sum of lines 17 and 18) | 84 |
| Capital and total exposures | | |
| 20 | Tier 1 capital | 222 |
| 21 | Total exposures (sum of lines 3, 11, 16 and 19) | 1,398 |
| Leverage ratio | | |
| 22 | Basel III leverage ratio | 15.87% |

**Table 15 Leverage ratio, Basel III disclosure**

## APPENDIX III – COUNTERCYCLICAL CAPITAL BUFFER

The disclosures required by Article 440 of the CRR are specified in the Commission Delegated Regulation (EU) No 2015/1555 of 28 May 2015 requiring firms to provide information in respect of the countercyclical capital buffer. Details of Leumi UK's disclosures in respect of the countercyclical capital buffer are provided in the tables below.

| £'000 | General credit exposures | Trading book exposures | General credit exposures Requirement | Trading book exposures Requirement | Total Own Funds Requirement | Own funds requirement weighting | CCyB rate % |
|---|---|---|---|---|---|---|---|
| Bulgaria | - | - | 0.0 | - | 0.0 | 0.0 | 0.50% |
| Czech Republic | 0.2 | - | 0.0 | - | 0.0 | 0.0 | 0.50% |
| Hong Kong | 1,368.5 | - | 109.5 | - | 109.5 | 0.2 | 1.00% |
| Luxembourg | 35,485.0 | - | 2,838.8 | - | 2,838.8 | 4.3 | 0.25% |
| Norway | 1.5 | - | 0.1 | - | 0.1 | 0.0 | 1.00% |
| Slovakia | - | - | 0.0 | - | 0.0 | 0.0 | 1.00% |
| United Kingdom | 780,808.9 | - | 62,464.7 | - | 62,464.7 | 95.5 | 0.00% |
| Total | 817,664.1 | - | 65,413.1 | - | 65,413.1 | 100.0 | |

**Table 16 Countercyclical capital buffer, geographical distribution**

| Trading book exposures | |
|---|---|
| Total risk exposure amount (£'000) | 1,043 |
| Institution specific countercyclical capital buffer rate | 0.01% |
| Institution specific countercyclical capital buffer requirement (£'000) | 0.10 |

**Table 17 Countercyclical capital buffer, summary table**

## APPENDIX IV – UNENCUMBERED ASSETS

Details of Leumi UK's disclosure on asset encumbrance as at 31 December 2020 are provided in the tables below.

| | | Carrying amount of encumbered assets | Fair value of encumbered assets | Carrying amount of unencumbered assets | Fair value of unencumbered assets |
|---|---|---|---|---|---|
| | | 010 | 040 | 060 | 090 |
| 010 | Assets of the reporting institution | 6,225 | | 1,302,355 | |
| 030 | Equity instruments | - | - | - | - |
| 040 | Debt securities | - | - | 7,502 | 7,502 |
| 120 | Other assets | - | | 18,280 | |

**Table 18 Asset encumbrance, Template A**

| | | Fair value of encumbered collateral received or own debt securities issued | Fair value of collateral received or own debt securities issued available for encumbrance |
|---|---|---|---|
| | | 010 | 040 |
| 130 | Collateral received by the reporting institution | - | - |
| 150 | Equity instruments | - | - |
| 160 | Debt securities | - | - |
| 230 | Other collateral received | - | - |
| 240 | Own debt securities issued other than own covered bonds or ABSs | - | - |

**Table 19 Collateral Received, Template B**

| | | Matching liabilities, contingent liabilities or securities lent | Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered |
|---|---|---|---|
| | | 010 | 030 |
| 010 | Carrying amount of selected financial liabilities | 8,631 | 6,225 |

**Table 20 Encumbered assets/collateral received and associated liabilities, Template C**

**Template D – Information on the importance of encumbrance**

The encumbered assets are approximately 0.48% of the Bank Leumi UK Plc group's total assets. The Bank's encumbered assets portfolio and the sources of encumbrance include the cash placed by Bank as collateral for the derivative transactions.

## APPENDIX V – CREDIT RISK EXPOSURES

Table 21 and Table 22 review Leumi UK's credit risk exposures as at 31 December 2020.

| Amounts in £000's | Exposure (31 Dec 2020) | Average exposure |
|---|---|---|
| Central governments/central banks | 204,828 | 171,346 |
| Institutions | 32,461 | 45,918 |
| Corporates | 463,470 | 497,061 |
| Secured by immovable property mortgages | 548,720 | 489,466 |
| Exposures in default | 4,991 | 10,762 |
| Claims on inst & corp with CR assessment | 33,247 | 38,034 |
| Items with particularly high risk | 84,513 | 100,469 |
| Public Sector Entities | 1 | 1 |
| Multilateral development banks | 11,095 | 13,228 |
| Other items | 0 | 475 |
| Total | 1,383,326 | 1,366,759 |

**Table 21 Total average exposures after individual impairment and prior to credit risk mitigation by exposure class**

| Amounts in £000's | UK | Europe | USA | Israel | Others | Total |
|---|---|---|---|---|---|---|
| Central Governments/Central Banks | 197,379 | | 7,448 | | | 204,828 |
| Institutions | 29,304 | 33 | 2,777 | | 346 | 32,461 |
| Corporates | 408,988 | 38,250 | 211 | 13,791 | 2,229 | 463,470 |
| Secured by immovable property mortgages | 330,333 | 149,840 | 9,977 | | 58,570 | 548,720 |
| Exposures in default | 3,683 | 8 | 1,290 | | 11 | 4,991 |
| Claims on inst & corp with CR assessment | 18,188 | 6,500 | 4,312 | 3,501 | 747 | 33,247 |
| Items with particularly high risk | 84,279 | 235 | | | | 84,513 |
| Public Sector Entities | | | | 1 | | 1 |
| Other items | 10,851 | 4 | | | 240 | 11,095 |
| Equity | | | | | | - |
| Total | 1,083,004 | 194,870 | 26,015 | 17,293 | 62,144 | 1,383,326 |

**Table 22 Geographic distribution of exposure classes**

| £000's | Central governments/ central banks | Institutions | Corporates | Secured by immovable property mortgages | Exposures in default | Claims on inst & corp with CR assessment | Items with particularly high risk | Multilateral Development banks | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Retail | - | - | 3,227 | - | - | - | - | - | - | 3,227 |
| Manufacturing | - | - | 90,366 | - | - | - | - | - | 15 | 90,381 |
| Other | - | 84 | 60,266 | - | 51 | - | - | 1 | 10,456 | 70,858 |
| Governments/ Central bank | 204,828 | - | - | - | - | - | - | - | - | 204,828 |
| Banks & Building Societies | - | 3,209 | - | - | - | 20,008 | - | - | - | 23,218 |
| Media | - | - | 438 | - | 1,290 | - | - | - | - | 1,728 |
| Construction | - | - | 18,531 | 86,838 | - | - | 72,733 | - | - | 178,102 |
| Trading Hotels | - | - | 68,634 | 128,103 | 3,290 | - | - | - | - | 200,027 |
| Income Generating Property | - | 10,193 | 12,972 | 305,549 | - | 500 | 11,780 | - | 180 | 341,174 |
| Wholesale Distribution | - | - | 121,140 | - | - | - | - | - | 151 | 121,291 |
| Other Financial | - | 18,974 | 14,687 | - | 115 | 12,739 | - | - | 239 | 46,754 |
| Commodities | - | - | 40,917 | - | - | - | - | - | - | 40,917 |
| Hi Tech | - | - | - | - | - | - | - | - | 51 | 51 |
| Premier Banking | - | - | 704 | 13,120 | 141 | - | - | - | 2 | 13,966 |
| Healthcare | - | - | 2,596 | 15,111 | - | - | - | - | - | 17,707 |
| Manpower | - | - | 28,992 | - | 104 | - | - | - | - | 29,096 |
| Grand Total | 204,828 | 32,461 | 463,470 | 548,720 | 4,991 | 33,247 | 84,513 | 1 | 11,095 | 1,383,326 |

**Table 23 Distribution of the exposures by industry and counterparty type**

| Amounts in £000's | <1 year | 1-5 years | > 5 years | Total |
|---|---|---|---|---|
| Central governments/central banks | 204,828 | - | - | 204,828 |
| Claims on inst & corp with CR assessment | 33,043 | 204 | - | 33,247 |
| Corporates | 364,680 | 98,790 | - | 463,470 |
| Exposures in default | 4,991 | - | - | 4,991 |
| Institutions | 32,461 | - | - | 32,461 |
| Items with particularly high risk | 36,278 | 48,235 | - | 84,513 |
| Multilateral developments banks | 1 | - | - | 1 |
| Other items | 11,095 | - | - | 11,095 |
| Secured by immovable property mortgages | 88,611 | 460,110 | - | 548,720 |
| Total | 775,987 | 607,339 | - | 1,383,326 |

**Table 24 Residual maturity breakdown of all the exposures**

| Amounts in £000's | Impaired loans | Past due loans | Value adjustments and provisions |
|---|---|---|---|
| Secured on real estate | 12,708 | - | 3,027 |
| Corporates | 17,720 | - | 8,983 |
| Total | 30,428 | - | 12,010 |

**Table 25 Impaired and past due exposures; value adjustments & provisions; charges for value adjustments by significant industry or counterparty type**

| Amounts in £000's | UK | Europe | USA | Israel | Others | Total |
|---|---|---|---|---|---|---|
| Impaired & Past Due Loans | 13,452 | 13,241 | 3,735 | 0 | 0 | 30,428 |
| Value adjustments and provisions | (3,711) | (4,565) | (3,735) | 0 | 0 | (12,010) |
| Total | 9,741 | 8,677 | - | - | - | 18,418 |

**Table 26 Geographical analysis of impaired exposures and provisions**

| Amounts in £000's | Loss allowance: Loans and Advances to Customers | Provision Charges- Off Balance Sheet commitments & financial guarantees | Total |
|---|---|---|---|
| As at 1st January 2020 | 14,328 | 1,315 | 15,643 |
| Charge / credit against profits (net of recoveries) | 7,072 | (569) | 6,503 |
| Recoveries | (52) | 0 | (52) |
| Amount written off | (172) | 0 | (172) |
| FX Difference | 158 | 0 | 158 |
| As at 31st December 2020 | 21,334 | 746 | 22,080 |

**Table 27 Allowances and movements for impairment of loans against credit losses**

| Amounts in £000's | Loss allowance: Loans and Advances to Customers | Provision Charges- Off Balance Sheet commitments & financial guarantees | Total |
|---|---|---|---|
| Impairment charge / credit | 7,072 | (569) | 6,503 |
| Recoveries | (52) | 0 | (52) |
| Total Income statement charge/(credit) | 7,020 | (569) | 6,451 |

**Table 28 Total Income statement charge/ (credit)**